NEW ISSUE **NOT RATED**

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "LEGAL MATTERS - Tax Matters."

$30,000,000
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS COMMUNITY FACILITIES DISTRICT NO. 2004-2 (WINDEMERE RANCH) 2004 SPECIAL TAX BONDS

Dated: Date of Delivery **Due: September 1, as shown on inside cover**

Authority for Issuance. The bonds captioned above (the "Bonds") are being issued under the Mello-Roos Community Facilities Act of 1982 (the "Act") and an Indenture, dated as of June 1, 2004 (the "Indenture"), by and between the ABAG Finance Authority for Nonprofit Corporations (the "Issuer"), for and on behalf of ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch) (the "Community Facilities District") and BNY Western Trust Company, as Trustee (the "Trustee"). The Executive Committee (the "Executive Committee") of the Board of Directors of the Issuer, (the "Board"), acting as legislative body of the Community Facilities District, and the eligible landowner voters in the Community Facilities District, have authorized the issuance of the Bonds. See "THE BONDS – Authority for Issuance."

Security and Sources of Payment. The Bonds are payable from (i) Special Tax Revenues (as defined herein) derived from the levy of special taxes (the "Special Taxes") on property within the Community Facilities District according to the rate and method of apportionment of special tax approved by the Executive Committee of the Board and the eligible landowner voters in the Community Facilities District, and (ii) moneys deposited in certain funds held by the Trustee under the Indenture. See "SECURITY FOR THE BONDS." **The Issuer has agreed in the Indenture that, in the event of foreclosure on property in the Community Facilities District, the rights of owners of the Bonds to proceeds of such foreclosure shall be subordinate to the rights of the owners of bonds payable from assessments levied for the Windemere Ranch Assessment District 1999-1 formed by the Association of Bay Area Governments, and Special Tax delinquencies and future Special Tax liens may be extinguished under the circumstances set forth in the Indenture. See "THE COMMUNITY FACILITIES DISTRICT - Overlapping Taxes, Charges and Assessments."**

Use of Proceeds. The Bonds are being issued to (i) to finance acquisition and construction of certain public capital improvements, (ii) fund a reserve fund for the Bonds, (iii) fund capitalized interest on the Bonds through December 25, 2005, (iv) pay certain administrative expenses of the Community Facilities District, and (v) pay the costs of issuing the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "FACILITIES TO BE FINANCED WITH PROCEEDS OF THE BONDS."

Bond Terms. Interest on the Bonds is payable on September 1, 2004 and semiannually thereafter on each March 1 and September 1. The Bonds will be issued in denominations of $5,000 or integral multiples of $5,000. The Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. See "THE BONDS – General Bond Terms" and "APPENDIX E – DTC and the Book-Entry Only System."

Redemption. *Prior to their maturity, the Bonds are subject to optional redemption, mandatory sinking fund redemption and redemption from Special Tax prepayments. See "THE BONDS - Redemption."*

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND THE PRINCIPAL THEREOF, AND PREMIUM, IF ANY, AND INTEREST THEREON, ARE PAYABLE SOLELY FROM, AND SECURED IN ACCORDANCE WITH THEIR TERMS AND THE PROVISIONS OF THE INDENTURE SOLELY BY, THE SPECIAL TAX REVENUES AND THE OTHER AMOUNTS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE ISSUER, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG"), ANY OF THE MEMBERS OF THE ISSUER OR ABAG, THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WILL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, OR PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS WILL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF THE ISSUER, ABAG, OR THE MEMBERS OF THE ISSUER OR ABAG, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. NEITHER THE ISSUER NOR ABAG HAS ANY TAXING POWER.

MATURITY SCHEDULE
(see inside cover)

This cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the Bonds involves risks which may not be appropriate for some investors. See "BOND OWNERS' RISKS" for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the Issuer by Nixon Peabody LLP, special counsel to the Issuer. Jones Hall, A Professional Law Corporation, San Francisco, California is acting as Underwriter's Counsel and Pillsbury Winthrop LLP, Los Angeles, California, is acting as special counsel to Windemere BLC Land Company, LLC, the master developer of the property in the Community Facilities District. It is anticipated that the Bonds, in book-entry form, will be available for delivery on or about June 25, 2004.

Stone & Youngberg LLC

The date of this Official Statement is: June 9 , 2004

MATURITY SCHEDULE
(Base CUSIP†: 000379)
$ 14,045,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP†	Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2006	$475,000	3.20%	3.20%	AA 5	2016	$735,000	5.30%	5.30%	AL 1
2007	490,000	3.75	3.75	AB 3	2017	775,000	5.40	5.40	AM 9
2008	510,000	4.00	4.00	AC 1	2018	820,000	5.50	5.50	AN 7
2009	530,000	4.20	4.20	AD 9	2019	860,000	5.60	5.60	AP 2
2010	555,000	4.45	4.45	AE 7	2020	910,000	5.70	5.70	AQ 0
2011	575,000	4.70	4.70	AF 4	2021	965,000	5.80	5.80	AR 8
2012	605,000	5.00	4.80	AG 2	2022	1,020,000	5.90	5.90	AS 6
2013	635,000	5.00	4.95	AH 0	2023	1,080,000	5.90	5.95	AT 4
2014	665,000	5.10	5.10	AJ 6	2024	1,140,000	6.00	6.00	AU 1
2015	700,000	5.20	5.20	AK 3					

$ 3,855,000 6.00% Term Bond due September 1, 2027, Price: 99.001% CUSIP† No. AV 9

$ 12,100,000 6.00% Term Bond due September 1, 2034, Price: 98.346% CUSIP† No. AW 7

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Preparation of this Official Statement. The information set forth herein under the caption "THE ISSUER," "CONTINUING DISCLOSURE - The Issuer" and "LEGAL MATTERS - Absence of Material Litigation - The Issuer" has been obtained from the Issuer. All other information set forth herein has been obtained from the owners of property in the District and The Depository Trust Company and other sources which are believed to be current and reliable, but the accuracy or completeness of such information is not guaranteed by the Issuer or the Underwriter. The accuracy or completeness of any information other than that contained under the captions "THE ISSUER," "CONTINUING DISCLOSURE - The Issuer" and "LEGAL MATTERS - Absence of Material Litigation – The Issuer" is not guaranteed by, and is not to be construed as a representation by, the Issuer.

The Underwriter has provided the following sentence for inclusion in this Official Statement: the Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

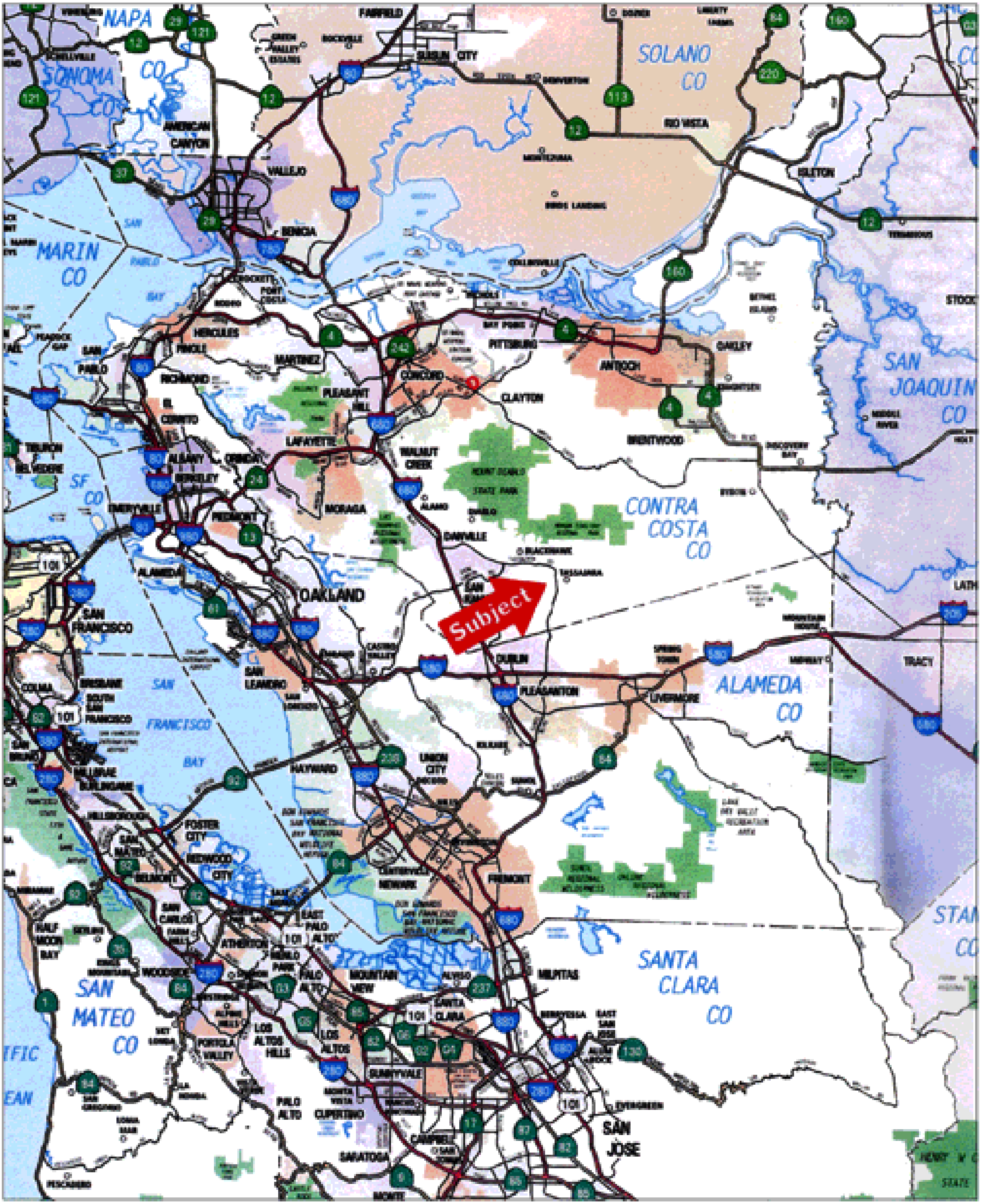
Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the Issuer, in any press release and in any oral statement made with the approval of an authorized officer of the Issuer, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Issuer since the date hereof.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Stabilization of Prices. In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

REGIONAL MAP



CONCEPTUAL NEIGHBORHOOD PLAN

WINDEMERE

DOUGHERTY VALLEY SPECIFIC PLAN


PHASE 1
PHASE 3
PHASE 4
PHASE 5
PHASE 2
N
WINDEMERE

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OFFICIAL STATEMENT

$30,000,000
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-2
(WINDEMERE RANCH)
2004 SPECIAL TAX BONDS

INTRODUCTION

This Official Statement, including the cover page and attached appendices, is provided to furnish information regarding the bonds captioned above (the "**Bonds**") to be issued by ABAG Finance Authority for Nonprofit Corporations (the "**Issuer**") for and on behalf of ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch) (the "**Community Facilities District**").

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The Issuer. The Bonds are being issued by the ABAG Finance Authority for Nonprofit Corporations for and on behalf of the Community Facilities District. See "THE ISSUER."

Authority for Issuance of the Bonds. The Bonds are issued under the following:

- the Mello-Roos Community Facilities Act of 1982, as amended (the "**Act**"),
- certain resolutions adopted by the Executive Committee (the "**Executive Committee**") of the Board of Directors (the "**Board**") of the Issuer, acting as legislative body for the Community Facilities District, and
- an Indenture, dated as of June 1, 2004 (the "**Indenture**"), by and between the Issuer, for and on behalf of the Community Facilities District, and BNY Western Trust Company, as Trustee (the "**Trustee**"). See "THE BONDS – Authority for Issuance."

The Community Facilities District. The Community Facilities District was formed and established by the Issuer on May 24, 2004 under the Act, following a public hearing conducted by the Executive Committee of the Board, as legislative body of the Community Facilities District, and a landowner election at which the qualified electors of the Community Facilities District authorized the Community Facilities District to incur bonded indebtedness and approved the levy of special taxes. See "THE BONDS – Authority for Issuance."

The Community Facilities District consists of Phases 2 through 5 of the Windemere Ranch master development; Phases 2 through 5 are currently planned for 2,938 residential units (although a proposed 293-unit affordable multi-family housing project included in this number is exempt from special taxes to be levied in the Community Facilities District). **The Community Facilities District**

does not include Phase 1 of the Windemere Ranch master development. However, this Official Statement includes a brief description of Phase 1 to provide background to potential investors; see "PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT - Phase 1 of Windemere Ranch".

The County of Contra Costa (the "**County**") and the City of San Ramon (the "**City**") have agreed that, upon final map approval, each final map parcel within Windemere Ranch will be eligible to be annexed to the City.

Property Ownership. Property in the Community Facilities District is currently owned by the following entities, with the exception of two lots in Phase 2 which are owned by individual homeowners:

- **Master Developer:** Windemere BLC Land Company, LLC, a California limited liability company. In January 1998, the Master Developer was formed by the following three entities as a joint venture for purposes of development of the Windemere Ranch master development: LEN-OBS Windemere, LLC (of which Lennar Homes of California, Inc. is the managing member), Brookfield Bay Area Holdings LLC and Centex Homes, a Nevada general partnership ("**Centex Homes**"). Each of the three entities owns one-third of the Master Developer and is affiliated with a publicly-held homebuilding entity: Lennar Corporation, Brookfield Homes Corporation and Centex Corporation, respectively.

- **Merchant Builders:**
  - Brookfield Savoy LLC, a Delaware limited liability company (**“Brookfield Savoy**”), a subsidiary of Brookfield Bay Area Holdings LLC.
  - Brookfield Carlyle LLC, a Delaware limited liability company (**“Brookfield Carlyle**”), a subsidiary of Brookfield Bay Area Holdings LLC.
  - Centex Homes.
  - Greystone Homes, Inc., a Delaware corporation (“**Greystone**”), a subsidiary of Lennar Corporation.

Within the Community Facilities District, the Master Developer previously sold all of the lots in Phase 2, as finished lots (backbone infrastructure and in-tract improvements had been made), to the Merchant Builders, and is currently under contract to sell all of the lots in Phase 4, as finished lots and superpad lots (backbone infrastructure will be developed but in-tract improvements will not be made), to the Merchant Builders (or affiliates of the Merchant Builders) in November 2004. The Merchant Builders are acquiring property in the Community Facilities District for development and sales of homes to homeowners.

Purpose of the Bonds. Proceeds of the Bonds will be used to (i) finance acquisition and construction of certain public infrastructure improvements (collectively defined as the "**Project**" in the Indenture), (ii) fund a reserve account for the Bonds, (iii) fund capitalized interest on the Bonds through December 25, 2005, (iv) pay certain administrative expenses of the Issuer, and (v) pay the costs of issuing the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “FACILITIES TO BE FINANCED WITH PROCEEDS OF THE BONDS.”

Security and Sources of Payment for the Bonds. The Bonds are secured by and payable from the "**Trust Estate**", consisting of "**Special Tax Revenues**" and moneys in the Special Tax Fund, the Bond Fund and the Reserve Fund. The Indenture defines Special Tax Revenues as proceeds of the special taxes levied within the Community Facilities District ("**Special Taxes**"), including any scheduled payments and any prepayments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. The definition of Special Tax Revenues does not include any penalties collected in connection with delinquent Special Taxes. The Special Taxes will be levied within the District in accordance with the Rate and Method of Apportionment of Special Tax (the "**Rate and Method**"). See “SECURITY FOR THE BONDS.”

The Issuer has covenanted in the Indenture to cause foreclosure proceedings to be commenced and prosecuted against certain parcels with delinquent installments of the Special Tax. For a more detailed description of the foreclosure covenant, see “SECURITY FOR THE BONDS - Covenant to Foreclose.” **The Issuer has agreed in the Indenture that, in the event of foreclosure on property in the Community Facilities District, the rights of owners of the Bonds to proceeds of such foreclosure shall be subordinate to the rights of the owners of bonds payable from assessments levied for the Windemere Ranch Assessment District 1999-1 formed by the Association of Bay Area Governments, and Special Tax delinquencies and future Special Tax liens may be extinguished under the circumstances set forth in the Indenture. See "THE COMMUNITY FACILITIES DISTRICT - Overlapping Taxes, Charges and Assessments - Relative Priority of Liens."**

Appraisal. An appraisal of the property within the Community Facilities District dated May 5, 2004 (the “**Appraisal**”), was prepared by Smith & Associates, Inc., Danville, California (the “**Appraiser**”) in connection with issuance of the Bonds. Subject to the assumptions contained in the Appraisal, the Appraiser estimated that the fee simple estate of the property within the Community Facilities District had the following "as is" value as of April 21, 2004:

Phase	Property Description	Marketing/ Exposure Time	Appraised Value
2 (1)	448 finished lots owned by the Merchant Builders	3 months	$162,307,000
3 (2)	Vacant land entitled for 384 detached lots and 179 condominium lots	9 months	30,600,000
4 (3)	Vacant land entitled for 526 detached lots, 91 cottage lots and 141 townhouse lots	9 months	115,000,000
5	Vacant land entitled for 876 detached lots in two phases of development (Subphase 5A: 601 lots; Subphase 5B: 275 lots)	9 months	102,500,000
Total (1)			$410,407,000

(1) The Appraiser did not value the subject property in bulk, but instead valued the subject property (a) as finished lots by each ownership group for Phase 2 and (b) "as is" by phase for Phases 3-5.

(2) Phase 3 also includes property designated for development of 293 affordable multi-family units which are exempt from Special Taxes pursuant to the Rate and Method and, as a result, is not subject to foreclosure in the event of delinquencies in the payment of Special Taxes with respect to other property in the Community Facilities District. Consequently, this property was not valued by the Appraiser.

(3) The Master Developer is in contract to sell all of the residential lots in Phase 4 in finished or superpad condition to the Merchant Builders (or affiliates of the Merchant Builders), with the closing expected to occur in November 2004. The contract purchase price for the Phase 4 lots is $223,291,756, although the price is generally subject to re-evaluation 45 days prior to the closing date based on market conditions (the price may increase, but not decrease); the portion of the price attributable to Villages 38 and 39 ($46,694,490) is not subject to re-evaluation.

See “THE COMMUNITY FACILITIES DISTRICT – Appraised Property Value” and “APPENDIX C – Excerpts From Appraisal Report” for further information on the Appraisal. The Issuer makes no representation as to the accuracy or completeness of the Appraisal.

Risk Factors Associated with Purchasing the Bonds. Investment in the Bonds involves risks that may not be appropriate for some investors. See "BOND OWNERS' RISKS" for a discussion of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Bonds.

Professionals Involved in the Offering. The following professionals are participating in this financing:

- BNY Western Trust Company, San Francisco, California, will serve as the Trustee under the Indenture.
- Quint & Thimmig LLP, San Francisco, California is serving as Bond Counsel to the Issuer.
- Nixon Peabody LLP, San Francisco, California, is serving as counsel to the Issuer.
- Jones Hall, A Professional Law Corporation, San Francisco, California, is acting as Underwriter's Counsel.
- Smith & Associates, Inc., Danville, California, performed the appraisal work.
- Goodwin Consulting Group, Sacramento, California, acted as special tax consultant with respect to the Community Facilities District.
- Pillsbury Winthrop LLP, Los Angeles, California, is serving as special counsel to the Master Developer.
- NBS Government Financial Group, Temecula, California, will administer the annual Special Tax levy for the Issuer.

CONTINUING DISCLOSURE

The Issuer. The Issuer, for and on behalf of the Community Facilities District, will covenant in a continuing disclosure certificate, the form of which is set forth in "APPENDIX F – Form of Issuer Continuing Disclosure Certificate" (the "**Issuer Continuing Disclosure Certificate**"), for the benefit of holders and beneficial owners of the Bonds, to provide certain financial information and operating data relating to the Community Facilities District and the Bonds (the "**Issuer Annual Report**") by not later than nine months after the end of the Issuer's Fiscal Year (which would correspond to a distribution date of not later than April 1 based on the Issuer's current fiscal year ending of June 30). The Issuer Continuing Disclosure Certificate also requires the Issuer to provide notices of the occurrence of certain enumerated events, if material.

The covenants of the Issuer in the Issuer Continuing Disclosure Certificate are being made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**").

A default under the Issuer Continuing Disclosure Certificate would not constitute an Event of Default under the Indenture, and the sole remedy under the Issuer Continuing Disclosure Certificate in the event of any failure of the Issuer or the Dissemination Agent to comply would be an action to compel specific performance.

The Issuer has never failed to comply, in any material respect, with an undertaking under the Rule.

The Master Developer. The Master Developer will covenant in a continuing disclosure certificate, the form of which is set forth in "APPENDIX G – Form of Property Owner Continuing Disclosure Certificate" (the "**Property Owner Continuing Disclosure Certificate**"), for the benefit of holders and beneficial owners of the Bonds, to provide certain information relating to the Master Developer, the Merchant Builders and their development activities on the parcels they own within the Community Facilities District on a semi-annual basis (each a "**Property Owner Semi-Annual Report**"), and to provide notices of the occurrence of certain enumerated events.

The Master Developer's obligations under its Property Owner Continuing Disclosure Certificate will terminate on the earlier of (i) legal defeasance, prior redemption or payment in full of all the Bonds or (ii) the date on which all property within the Community Facilities District owned by the Master Developer and affiliates or partners of the Master Developer (which includes the Merchant Builders) is responsible for less than 20 percent of the total special taxes levied in the Community Facilities District.

A default under the Property Owner Continuing Disclosure Certificate will not constitute an Event of Default under the Indenture, and the sole remedy under the Property Owner Continuing Disclosure Certificate in the event of any failure of the Master Developer or the Dissemination Agent to comply will be an action to compel specific performance. The Issuer has no obligation to enforce the Property Owner Continuing Disclosure Certificate.

Officers of the members of the Master Developer have represented, to their actual knowledge, that, except as disclosed below, they are not aware of any material failures by the Master Developer, the members of the Master Developer, the Merchant Builders, Lennar Homes of California, Inc., or the various subsidiaries of Brookfield Bay Area Holdings LLC as applicable, to comply with previous undertakings to provide periodic continuing disclosure reports or notices of material events with respect to community facilities districts or assessment districts in California within the last five years.

Lennar Homes of California, Inc. ("**Lennar Homes**") has disclosed a failure with respect to an undertaking to provide periodic continuing disclosure reports. In connection with covenants relating to a 1998 financing for a project in the City of Temecula by the Winchester Hills Financing Authority Community Facilities District No. 98-1 (Winchester Hills) in which Lennar Homes was involved as the administrative member of the major landowner, Lennar Homes filed audited financial statements for each fiscal year through its 1999 fiscal year (the report filed in May 2000) but did not file the report due for the 2000 fiscal year and did not include financial information regarding the development of the property owned by an affiliated entity, Lennar Communities, in the 1999 report.

Greystone has also disclosed a failure with respect to an undertaking to provide periodic continuing disclosure reports. In connection with covenants relating to a 2001 financing for a project in the City of Murrieta by Community Facilities District No. 2000-1 of the Murrieta Valley Unified School District, continuing disclosure reports due on September 15, 2002 were not provided on a timely basis. Greystone, as successor to Pacific Century Homes, filed the continuing disclosure report with the dissemination agent on May 15, 2003.

Lennar Homes and Greystone report that they have reviewed and updated their system for filing reports and expects to satisfy their obligations with regard to disclosure in the future.

An officer of each of the Merchant Builders has represented that, except as described above, to his or her actual knowledge, such officer is not aware of any material failures by the applicable Merchant Builder to provide periodic continuing disclosure reports or notices of material events with respect to community facilities districts or assessment districts in California within the last five years.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be deposited into the following funds established by the Issuer under the Indenture:

SOURCES	
Principal Amount of Bonds	$30,000,000.00
Less: Original Issue Discount	234,549.90
Total Sources	$29,765,450.10
USES	
Deposit into Reserve Fund [1]	$2,170,700.00
Deposit into Costs of Issuance Fund [2]	544,400.00
Deposit into Capitalized Interest Account of the Bond Fund [3]	2,537,666.25
Deposit into Administrative Expense Fund	112,500.00
Deposit into Improvement Fund	24,400,183.85
Total Uses	$29,765,450.10

[1] Equal to the Reserve Requirement with respect to the Bonds as of the date of delivery of the Bonds.

[2] Includes, among other things, the Underwriter's discount, the fees and expenses of Bond Counsel and Issuer Counsel, the cost of printing the Preliminary and final Official Statements, fees and expenses of the Trustee, the cost of the Appraisal, and the fees of the Special Tax Consultant.

[3] Amounts deposited into the Capitalized Interest Account will be used to pay interest on the Bonds through December 25, 2005.

FACILITIES TO BE FINANCED WITH PROCEEDS OF THE BONDS

Pursuant to the Resolution of Formation adopted by the Issuer on May 24, 2004, the Issuer is authorized to finance all or a portion of the costs of the following (collectively defined as the "**Project**" in the Indenture):

1. Roads, streets and parkways within or in the vicinity of the Community Facilities District, including related grading, paving, curb and gutter, sidewalk, landscaping, sound wall, storm drain, sanitary sewer, potable water, recycled water, joint trench and street lights.

2. Water Quality Ponds, including grading, paving, fencing, access road construction, storm drain pipes, riser structure and outfall protection for such ponds; including but not limited to Ponds 6, 7, 8, 11 and 14 as indicated on the map attached to the Resolution of Intention.

3. Parks, including grading, paving, storm drain, utilities, landscaping, athletic fields and miscellaneous structures for parks; including but not limited to Phase 2 Parks (Hidden Valley and Creekview Parks), Phase 3 Parks (neighborhood park), and Phase 4 Parks (pocket park) as indicated on the map attached to the Resolution of Intention.

4. Creeks, including grading, fabric, geoweb, rock slope protection and, as applicable, storm drain and maintenance road; including but not limited to Phase 2 Creeks (Southfork Creek), Phase 3 Creeks (A and K creeks) and Phase 4 Creeks (E and G creeks) as indicated on the map attached to the Resolution of Intention.

5. Japonica Bridge, including abutments, rock slope protection, girders, bridge deck, utilities and street lights.

6. Middle School storm drain and sanity sewer, including, appurtenant structures, energy dissipater and rock rip rap.

The Resolution of Formation also authorizes the Community Facilities District to finance reimbursement of costs related to the formation of the Community Facilities District advanced by the Issuer or any landowner or developer within the Community Facilities District, as well as reimbursement of any costs advanced by the Issuer or any landowner or developer within the Community Facilities District, for facilities, fees or other purposes or costs of the Community Facilities District.

THE BONDS

General Bond Terms

Dated Date, Maturity and Authorized Denominations. The Bonds will be dated their date of delivery and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in denominations of $5,000 each or any integral multiple of $5,000.

Interest. The Bonds will bear interest at the annual rates set forth on the inside cover page of this Official Statement, payable semiannually on each March 1 and September 1, commencing September 1, 2004 (each, an "Interest Payment Date"). Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months.

DTC and Book-Entry Only System. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered initially in the name of Cede & Co. (DTC's partnership nominee). So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the "Owners" will mean Cede & Co., and will not mean the Beneficial Owners of the Bonds. See APPENDIX E – "DTC and the Book-Entry Only System."

Method of Payment. Principal, premium, if any, and interest on the Bonds are payable directly to DTC by the Trustee in lawful money of the United States of America. Upon receipt of payments of principal, premium or interest, DTC is to remit such principal, premium or interest to the "DTC Participants" (as defined in APPENDIX E) for subsequent disbursement to the Beneficial Owners of the Bonds. See APPENDIX E – "DTC and the Book-Entry Only System."

Authority for Issuance

Community Facilities District Proceedings. The Bonds will be issued under the Act and the Indenture. As required by the Act, the Executive Committee of the Board of Directors of the Issuer has taken the following actions with respect to establishing the Community Facilities District and authorizing issuance of the Bonds:

> *Resolution of Intention*: On April 23, 2004, the Executive Committee of the Board adopted Resolution No. 04-09, stating its intention to establish the Community Facilities District, to authorize the levy of a special tax therein and to issue bonds for the Community Facilities District in an amount not to exceed $45 million, and authorizing joint community facilities agreements with the City and any other public entity that will own and/or operate any element of the Project (including, among others, the Dublin San Ramon Services District ("**DSRSD**") and the Central Contra Costa Sanitary District ("**CCCSD**")).
>
> *Resolution of Intention to Incur Bonded Indebtedness*: On April 23, 2004, the Executive Committee of the Board adopted Resolution No. 04-10, stating its intention to incur bonded indebtedness within the boundaries of the Community Facilities District in an amount not to exceed $45 million.
>
> *Resolution of Formation*: Immediately following a noticed public hearing, on May 24, 2004, the Executive Committee of the Board, acting as legislative body for the Community Facilities District, adopted Resolution No. 04-15 (the "**Resolution of Formation**"), which

established the Community Facilities District and authorized the levy of a special tax within the Community Facilities District.

Resolution of Necessity: On May 24, 2004, the Executive Committee of the Board, acting as legislative body for the Community Facilities District, adopted Resolution No. 04-16 declaring the necessity to incur bonded indebtedness in an aggregate amount not to exceed $45 million within the Community Facilities District and submitting that proposition to the qualified electors of the Community Facilities District.

Resolution Calling Election: On May 24, 2004, the Executive Committee of the Board, acting as legislative body for the District, adopted Resolution No. 04-17 calling an election by the landowners within the Community Facilities District for the same date on the issues of the levy of the Special Tax, the incurring of bonded indebtedness and the establishment of an appropriations limit.

Landowner Election and Declaration of Results: On May 24, 2004, an election was held within the Community Facilities District in which the qualified electors within the Community Facilities District approved a ballot proposition authorizing the issuance of up to $45 million in bonds to finance the acquisition and construction of the Project, the levy of a special tax and the establishment of an appropriations limit for the Community Facilities District. On May 24, 2004, the Executive Committee of the Board, acting as legislative body for the District, adopted Resolution No. 04-18 under which the Executive Committee of the Board approved the canvass of the votes and declared the Community Facilities District to be fully formed with the authority to levy the Special Taxes, to incur the bonded indebtedness and to have the established appropriations limit, all with respect to the Community Facilities District.

Special Tax Lien and Levy: A Notice of Special Tax Lien was recorded in the real property records of the County on June 2, 2004 as document number 2004-0209494-00.

Ordinance Levying Special Taxes: At its next meeting, which is scheduled for June 24, 2004, the Executive Committee of the Board, acting as legislative body for the Community Facilities District, is expected to adopt an ordinance levying the Special Tax within the Communities Facilities District beginning with the 2004-05 Fiscal Year (the "**Ordinance**").

Resolution Authorizing Issuance of the Bonds: On May 24, 2004, the Executive Committee of the Board, acting as legislative body for the Community Facilities District, adopted Resolution No. 04-19 approving issuance of the Bonds for and on behalf of the Community Facilities District in an amount not to exceed $45 million.

County Findings. On May 18, 2004, in order to satisfy certain requirements of the California Government Code and to meet a requirement of the Issuer's "Guidelines for Issuance," the Board of Supervisors of the County held a public hearing and adopted a resolution finding that significant public benefits will arise from the financing of the Project, and approving the formation of the Community Facilities District by the Issuer, the issuance of the Bonds and the financing of the Project with proceeds of the Bonds.

Issuer's Goals and Policies. The Issuer adopted "Local Agency Goals and Policies for Community Facilities Districts" (the "**Goals and Policies**") on April 23, 2004, and subsequently amended them on May 14, 2004. The Goals and Policies establish an order of priority for financing by community facilities districts and certain credit quality requirements for bonds issued under the

Act. The Goals and Policies also provide for disclosure of the special tax obligation by developers to prospective purchasers of property in the Community Facilities District. The Issuer has determined that issuance of the Bonds conforms with the Issuer's Goals and Policies.

Debt Service Schedule

The following table presents the annual debt service on the Bonds (including sinking fund redemptions), assuming there are no optional redemptions or redemption as the result of Special Tax prepayments.

Year Ending September 1	Principal	Interest	Total Debt Service
2004	-	$ 310,159.21	$ 310,159.21
2005	-	1,691,777.50	1,691,777.50
2006	$ 475,000	1,691,777.50	2,166,777.50
2007	490,000	1,676,577.50	2,166,577.50
2008	510,000	1,658,202.50	2,168,202.50
2009	530,000	1,637,802.50	2,167,802.50
2010	555,000	1,615,542.50	2,170,542.50
2011	575,000	1,590,845.00	2,165,845.00
2012	605,000	1,563,820.00	2,168,820.00
2013	635,000	1,533,570.00	2,168,570.00
2014	665,000	1,501,820.00	2,166,820.00
2015	700,000	1,467,905.00	2,167,905.00
2016	735,000	1,431,505.00	2,166,505.00
2017	775,000	1,392,550.00	2,167,550.00
2018	820,000	1,350,700.00	2,170,700.00
2019	860,000	1,305,600.00	2,165,600.00
2020	910,000	1,257,440.00	2,167,440.00
2021	965,000	1,205,570.00	2,170,570.00
2022	1,020,000	1,149,600.00	2,169,600.00
2023	1,080,000	1,089,420.00	2,169,420.00
2024	1,140,000	1,025,700.00	2,165,700.00
2025	1,210,000	957,300.00	2,167,300.00
2026	1,285,000	884,700.00	2,169,700.00
2027	1,360,000	807,600.00	2,167,600.00
2028	1,440,000	726,000.00	2,166,000.00
2029	1,530,000	639,600.00	2,169,600.00
2030	1,620,000	547,800.00	2,167,800.00
2031	1,715,000	450,600.00	2,165,600.00
2032	1,820,000	347,700.00	2,167,700.00
2033	1,930,000	238,500.00	2,168,500.00
2034	2,045,000	122,700.00	2,167,700.00
Total	$30,000,000	$34,870,384.21	$64,870,384.21

Redemption

Optional Redemption. The Bonds maturing on and after September 1, 2015 are subject to optional redemption prior to their stated maturity on any Interest Payment Date on or after September 1, 2014, as a whole, or in part among maturities so as to maintain substantially level debt service on the Bonds and by lot within a maturity, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Payment Redemption. The Bonds maturing on September 1, 2027 are subject to mandatory sinking payment redemption in part on September 1, 2025, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Redemption Date (September 1)	Sinking Payments
2025	$1,210,000
2026	1,285,000
2027 (maturity)	1,360,000

The Bonds maturing on September 1, 2034, are subject to mandatory sinking payment redemption in part on September 1, 2028, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Redemption Date (September 1)	Sinking Payments
2028	$1,440,000
2029	1,530,000
2030	1,620,000
2031	1,715,000
2032	1,820,000
2033	1,930,000
2034 (maturity)	2,045,000

The amounts in the foregoing tables will be reduced to the extent practicable so as to maintain level debt service on the Bonds, as a result of any prior partial redemption of the Bonds as described in "Optional Redemption" above or "Redemption from Special Tax Prepayments" above.

Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the Reserve Fund will be used to redeem Bonds on the next Interest Payment Date for which notice of redemption can timely be given, by lot and allocated among maturities of the Bonds so as to maintain substantially level debt service on the Bonds, at a redemption price (expressed as a percentage at the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

Redemption Dates	Redemption Prices
Any Interest Payment Date from September 1, 2004 to and including March 1, 2014	102%
September 1, 2014 and any Interest Payment Date thereafter	100

Purchase In Lieu of Redemption. In lieu of redemption as described above, moneys in the Bond Fund may be used and withdrawn by the Trustee for purchase of Outstanding Bonds, at public or private sale, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such Bonds were to be redeemed in accordance with the Indenture.

Notice of Redemption. The Trustee will cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories, to one or more Information Services, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Trustee; however, mailing of the notice by the Trustee is not a condition precedent to redemption and failure to mail or to receive any such notice, or any defect in the notice, will not affect the validity of the proceedings for the redemption of the Bonds.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption are deposited in the Bond Fund, the Bonds called for redemption will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in the redemption notice.

Registration, Transfer and Exchange

The following provisions regarding the exchange and transfer of the Bonds apply only during any period in which the Bonds are not subject to DTC's book-entry system. While the Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See "APPENDIX E – DTC and the Book-Entry Only System."

Registration. The Trustee will keep or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds, which books will show the series number, date, amount, rate of interest and last known Owner of each Bond. The Issuer and the Trustee will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the Issuer and the Trustee shall not be affected by any notice to the contrary. The Issuer and the Trustee may rely on the address of the Bondowner as it appears in the Bond register for any and all purposes.

Transfers of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the Bond resgister by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Trustee. The cost for any services rendered or any expenses incurred by the Trustee in connection with any such transfer shall be paid by the Issuer. The Trustee shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds is surrendered for transfer, the Issuer will execute and the Trustee will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount of authorized denomination(s).

No transfers of Bonds will be required to be made (i) fifteen days prior to the date established by the Trustee for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between a Record Date and the succeeding Interest Payment Date.

Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Bonds of authorized denominations and of the same series and maturity. The cost for any services rendered or any expenses incurred by the Trustee in connection with any such exchange shall be paid by the Issuer. The Trustee will collect from the Owner requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds may be required to be made (i) fifteen days prior to the date established by the Trustee for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between a Record Date and the succeeding Interest Payment Date.

SECURITY FOR THE BONDS

General

The Issuer's obligation to pay the principal of, and interest and any premium on, the Bonds is secured by a first pledge of the "**Trust Estate**", which is defined in the Indenture to include:

- Special Tax Revenues; and
- Amounts in the Special Tax Fund, the Bond Fund and the Reserve Fund.

Amounts in the Administrative Expense Fund, the Costs of Issuance Fund and the Improvement Fund are *not* pledged to the repayment of the Bonds. The Project to be financed with the proceeds of the Bonds is not in any way pledged to pay debt service on the Bonds. Any proceeds of condemnation or destruction of any facilities financed with the proceeds of the Bonds are not pledged to pay debt service on the Bonds and are free and clear of any lien or obligation imposed under the Indenture.

"**Special Tax Revenues**" is defined in the Indenture as the proceeds of the Special Taxes received by the Issuer, including any scheduled payments and any prepayments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but it excludes any penalties collected in connection with delinquent Special Taxes.

Special Taxes

Levy of Special Taxes. The Issuer has covenanted in the Indenture to comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

Under the Indenture, the Chief Financial Officer is obligated to effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each July 15 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which the auditor-controller of the County will accept the transmission of the Special Tax amounts for the parcels within the Community Facilities District for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Chief Financial Officer shall prepare or cause to be prepared, and shall transmit to the auditor-controller of the County, such data as the auditor-controller requires to include the levy of the Special Taxes on the next real property tax roll.

The Chief Financial Officer will fix and levy the amount of Special Taxes within the Community Facilities District required for the payment of principal of and interest on any outstanding Bonds of the Community Facilities District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses (including any rebate requirement imposed by federal tax law) during such year, taking into account the balances in such funds and in the Special Tax Fund. The Special Taxes so levied will not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

Maximum Special Taxes. The Issuer covenants in the Indenture not to consent or conduct proceedings with respect to a reduction in the maximum Special Taxes that may be levied in the District below an amount, for any Fiscal Year, equal to 110 percent of the aggregate of the debt service due on the Bonds (including any Parity Bonds) in such Fiscal Year, plus a reasonable estimate of Administrative Expenses for such Fiscal Year.

Manner of Collection. The Indenture provides that the Special Taxes are payable and will be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property; provided that, pursuant to and in accordance with the Ordinance, the Special Taxes may be collected by means of direct billing of the property owners within the District, in which event the Special Taxes shall become delinquent if not paid when due pursuant to said billing.

Because the Special Tax levy is limited to the maximum Special Tax rates set forth in the Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies, the receipts of Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the Bonds. See "BOND OWNERS' RISKS," including the subsection entitled "Other Possible Claims Upon the Value of Taxable Property," for a discussion of factors that could impact the amount of Special Taxes collected by the Issuer and the amount, if any, to be realized by Bond owners as a result of a foreclosure sale.

Additional Obligations Secured by Special Taxes

Senior Lien. Although the Indenture does not permit issuance of obligations secured by a pledge of Special Taxes that is senior to the pledge of Special Taxes to the Bonds, the Issuer has agreed in the Indenture that, in the event of foreclosure on property in the Community Facilities District, the rights of owners of the Bonds to proceeds of such foreclosure shall be subordinate to the rights of the owners of bonds payable from assessments levied for the Windemere Ranch Assessment District 1999-1 formed by the Association of Bay Area Governments, and Special Tax delinquencies and future Special Tax liens may be extinguished under the circumstances set forth in the Indenture. See "THE COMMUNITY FACILITIES DISTRICT - Overlapping Taxes, Charges and Assessments - Relative Priority of Liens".

Parity Bonds. The Indenture authorizes the Issuer to issue additional series of bonds (the "**Parity Bonds**"), in addition to the Bonds, by means of a Supplemental Indenture and without the consent of any Bondowners, upon compliance with the provisions summarized below. The Parity Bonds will be secured by a lien on and pledge of the Trust Estate on a parity with all other Bonds Outstanding under the Indenture. The Issuer may issue the Parity Bonds subject to the following specific conditions precedent:

<u>Current Compliance</u>. The Issuer must be in compliance on the date of issuance of the Parity Bonds with all covenants set forth in the Indenture and all Supplemental Indentures.

<u>Payment Dates; Refunding Bonds</u>. Interest on the Parity Bonds must be payable on March 1 and September 1, and principal must be payable on September 1 in any year in which principal is payable (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

<u>Funds and Accounts; Reserve Fund Deposit</u>. The Supplemental Indenture providing for the issuance of Parity Bonds may provide for the establishment of separate funds and accounts, and must provide for a deposit to the Reserve Fund in an amount necessary so that the amount on deposit therein, following the issuance of the Parity Bonds, is equal to the Reserve Requirement for the Bonds and the Parity Bonds.

<u>Value-to-Lien Ratio</u>. The "**District Value**" (defined below) shall be at least three times the sum of:

(i) the aggregate principal amount of all Bonds and any Parity Bonds then Outstanding, plus

(ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus

(iii) the aggregate principal amount of any fixed assessment liens on the parcels in the Community Facilities District subject to the levy of Special Taxes, plus

(iv) the portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within the Community Facilities District (the "**Other District Bonds**") equal to the aggregate principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within the Community Facilities District, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recent available Fiscal Year.

The Indenture defines "**District Value**" as follows: the market value, as of the date of the appraisal described below and/or the date of the most recent County real property tax roll, as applicable, of all parcels of real property in the Community Facilities District subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal performed within six months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the "**Parity Bonds Appraiser**") selected by the Issuer, or (ii), in the alternative, the assessed value of all such nondelinquent parcels and improvements thereon as shown on the then current County real property tax roll available to the Chief Financial Officer. It is expressly acknowledged that, in determining the District Value, the Issuer may rely on an appraisal to determine the value of some or all of the parcels in the Community Facilities District and/or the most recent County real property tax roll as to the value of some or all of the parcels in the Community Facilities District. Neither the Issuer nor the Chief Financial Officer shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Parity Bonds Appraiser pursuant to this definition.

Special Tax Coverage. The Issuer shall obtain a certificate of a Tax Consultant to the effect that the amount of the maximum Special Taxes that may be levied in each Fiscal Year shall be at least 110 percent of the total Annual Debt Service for each such Fiscal Year on the Bonds, any outstanding Parity Bonds and the proposed Parity Bonds.

Officer's Certificate. The Issuer must deliver to the Trustee an Officer's Certificate certifying that the conditions precedent to the issuance of the Parity Bonds described in the previous three paragraphs have been satisfied.

As described in APPENDIX D - "Summary of the Indenture," the Indenture allows the Issuer to issue bonds to refund the Bonds and any Parity Bonds without complying with certain of the requirements described above, subject to satisfaction of certain conditions.

Subordinate Debt. The Indenture does not prohibit the Issuer from issuing bonds or otherwise incurring debt secured by a pledge of the Trust Estate that is subordinate to the pledge of the Trust Estate to the Bonds.

Rate and Method

General. The Special Tax is levied and collected according to the Rate and Method, which provides the means by which the Issuer or its designee may annually levy the Special Taxes within the Community Facilities District, up to the Maximum Special Tax, and determine the amount of the Special Tax that will need to be collected each Fiscal Year from the "Taxable Property" within the Community Facilities District.

The following is a summary of certain provisions of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as APPENDIX B. The meaning of the defined terms used in this section that are not defined below have the meaning set forth in APPENDIX B.

Relevant Definitions. The Rate and Method defines the following terms, among others:

"**Administrator**" means the person or firm designated by the Issuer to administer the Special Tax according to the Rate and Method of Apportionment of Special Tax. The initial Administrator is NBS Government Finance Group.

"**Association Property**" means any property within the Community Facilities District that is owned by a homeowners association or property owners association, excluding Association Property under the pad or footprint of a Unit.

"**CFD Formation**" means the date on which the Resolution of Formation to form the Community Facilities District was adopted by the Board, which was May 24, 2004.

"**Condominium**" means an individual residential unit constructed on the Condominium Property.

"**Condominium Property**" means that property included within the geographic area identified as Village 27 on the Tentative Map, or such other area as approved by the County.

"**Developed Property**" means, in any Fiscal Year, all Taxable Property in the Community Facilities District for which a building permit for new construction was issued by the County prior to June 1 of the preceding Fiscal Year.

"**Excess Public Property**" means the acres of Public Property that exceed the acreage exempted in "Exemptions" below. In any Fiscal Year in which a Special Tax must be levied on Excess Public Property pursuant to Step 4 in "Method of Levy of the Special Tax" below, Excess Public Property shall be those Assessor's Parcel(s) that most recently became Public Property based on the dates on which recorded Final Maps created such Public Property.

"**Expected Land Uses**" means the total number of Units expected within the Community Facilities District. At CFD Formation, the Expected Land Uses were determined based on the Final Map and Tentative Map. The Expected Land Uses may be updated over time, but not before the Administrator has tested changes to the Expected Land Uses by applying the steps described in the section entitled "Back-Up Formula" below. The Expected Land Uses at CFD Formation are summarized in Attachment 1 to the Rate and Method, which is excerpted in "Rate and Method Table 2" below; the Administrator shall update Attachment 1 each time a change occurs to the land use plans for property in the Community Facilities District.

"**Expected Maximum Special Tax Revenues**" means the amount of annual revenue that would be available if the Maximum Special Tax was levied based on the Expected Land Uses. The Expected Maximum Special Tax Revenues as of CFD Formation are shown in Attachment 1 to the Rate and Method (which is excerpted in "Rate and Method Table 2" below) and may be reduced due to prepayments in future Fiscal Years.

"**Final Map**" means the final maps, recorded by the County, based on the final Development Plan and vesting tentative map for "Subdivision 8507 – Phase 2" for the Windemere Ranch project, or a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates Buildable Lots and for which no further subdivision is anticipated pursuant to the Tentative Map.

"**Non-Residential Property**" means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit was issued for construction of a structure that will be used for any non-residential purpose.

"**Proportionately**" means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor's Parcels of Developed Property, and for Undeveloped Property that the ratio of the actual Special Tax to the Maximum Special Tax is equal for all Assessor's Parcels of Undeveloped Property.

"**Public Property**" means any property within the boundaries of the Community Facilities District that is owned by or irrevocably offered for dedication to the federal government, State of California, County, or other local government or public agency.

"**Single Family Detached Property**" means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a Unit that does not share a common wall with another Unit.

"**Special Tax**" means a Special Tax levied in any Fiscal Year to pay the Special Tax Requirement.

"**Special Tax Requirement**" means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds which is due in the calendar year that begins in such Fiscal Year; (ii) create and/or replenish reserve funds for the Bonds; (iii) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or, based on existing delinquencies in the payment of Special Taxes, are expected to occur in the Fiscal Year in which the tax will be collected; and (iv) pay Administrative Expenses. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to a Bond indenture, Bond resolution, or other legal document that sets forth these terms; (ii) proceeds from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

"**Taxable Property**" means all of the Assessor's Parcels within the boundaries of the Community Facilities District which are not exempt from the Special Tax pursuant to law or as described in the section entitled "Exemptions" below.

"**Tentative Map**" means the final Development Plans and vesting tentative maps for "Subdivision 8508," "Subdivision 8509," and "Subdivision 8510" for the Windemere Ranch project that were approved by the County Board of Supervisors on April 27, 2004, or any tentative subdivision map approved for Windemere Ranch after CFD Formation. If a new tentative map is approved after CFD Formation and the Administrator has updated the Expected Land Uses, the new tentative map shall function as the Tentative Map for purposes of the Rate and Method.

"**Townhome**" means an individual residential unit constructed on the Townhome Property.

"**Townhome Property**" means that property included within the geographic area identified as Village 38 on the Tentative Map, or such other area as approved by the County.

"**Undeveloped Property**" means, in any Fiscal Year, all Parcels of Taxable Property within the CFD that are not Developed Property.

"**Unit**" means (i) for Single Family Detached Property, an individual single family detached residential unit, (ii) for Condominium Property, an individual Condominium, and (iii) for Townhome Property, an individual Townhome.

"**Village**" means a specific geographic area within the Community Facilities District that (i) is created upon recordation of a Final Map, and (ii) is expected to have Buildable Lots of a similar size or (iii) consists entirely of Apartment Property, Condominium Property, or Townhome Property. Villages that exist at CFD Formation are shown in Attachment 2 to the Rate and Method, and Villages expected at CFD Formation are shown in Attachments 3 through 5 of the Rate and Method. When a Final Map within the Community Facilities District is recorded after CFD Formation, the actual boundary of each Village may change slightly from that shown in Attachments 3 through 5. Such change shall have no impact on the Expected Maximum Special Tax Revenues unless the total number of expected Units is changed. If such a change occurs, the Administrator shall follow the procedures set forth in "Back-Up Formula" below to recalculate the Expected Maximum Special Tax Revenues.

Annual Administration. On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor's Parcel numbers for all Taxable Property. The Administrator shall then determine the following:

(i) whether each Assessor's Parcel is Developed Property or Undeveloped Property,

(ii) for Developed Property, which Parcels are Single Family Detached Property, Condominium Property, Townhome Property and Non-Residential Property,

(iii) for Single Family Detached Property, the Village that each residential lot is located in (for which the Administrator shall rely on the Final Map recorded to create the individual lots), and

(iv) the Special Tax Requirement.

For Condominium Property and Townhome Property, the number of Units shall be determined by referencing the Development Plan for the property.

In any Fiscal Year, if it is determined that (i) a parcel map for a portion of property in the Community Facilities District was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) one or more of the newly-created parcels meets the definition of Developed Property, the Administrator shall calculate the Special Tax for the property affected by recordation of the parcel map by determining the Special Tax that applies separately to each newly-created parcel, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

In addition, the Administrator shall, at least twice each Fiscal Year, determine: (i) whether changes to the Tentative Map have been proposed or approved; and (ii) whether Final Maps that have been proposed for approval or approved by the County after CFD Formation are consistent with the Tentative Map. If changes to the Tentative Map have occurred, or if Final Maps are inconsistent with the Tentative Map, the Administrator shall apply the steps described in "Back-Up Formula" below.

Maximum Special Tax. The table below identifies the Maximum Special Tax for Taxable Property within the Community Facilities District:

Rate and Method - Table 1
Maximum Special Taxes

Type of Property	***Village***	***Maximum Special Tax***
Single Family Detached Property	37, 49	$1,970 per Unit
Single Family Detached Property	25, 31, 45, 48	$1,710 per Unit
Single Family Detached Property	24, 35, 40, 46	$1,660 per Unit
Single Family Detached Property	23, 30, 36, 47	$1,440 per Unit
Single Family Detached Property	22, 29, 34, 42	$1,370 per Unit
Single Family Detached Property	20, 21, 32, 33, 43, 44	$1,210 per Unit
Single Family Detached Property	28	$1,130 per Unit
Single Family Detached Property	39, 41	$890 per Unit
Condominium Property	27	$530 per Unit
Townhome Property	38	$1,210 per Unit
Non-Residential Property	All Applicable	$8,780 per Acre
Undeveloped Property	All Applicable	$8,780 per Acre

The Maximum Special Taxes set forth in the preceding table are calculated based on the Expected Land Uses. The Rate and Method includes the following table of Expected Land Uses and Expected Special Tax Revenues as of the date of CFD Formation.

Rate and Method - Table 2
Expected Land Uses and Expected Maximum Special Tax Revenues

Village Numbers	Expected Land Use	Expected Number of Residential Units	Maximum Special Tax Per Unit	Total Expected Maximum Special Tax Revenues
37, 49	Single Family Detached Lots	181	$1,970	$356,570
25, 31, 45, 48	Single Family Detached Lots	374	1,710	639,540
24, 35, 40, 46	Single Family Detached Lots	282	1,660	468,120
23, 30, 36, 47	Single Family Detached Lots	336	1,440	483,840
22, 29, 34, 42	Single Family Detached Lots	360	1,370	493,200
20, 21, 32, 33, 43, 44	Single Family Detached Lots	504	1,210	609,840
28	Single Family Detached Lots	83	1,130	93,790
39, 41	Single Family Detached Lots	205	890	182,450
27	Condominiums	179	530	94,870
38	Townhomes	141	1,210	170,610
Total Expected Maximum Special Tax Revenues				**$3,592,830**

Method of Levy of the Special Tax. Each Fiscal Year, the Administrator shall determine the Special Tax Requirement to be collected in that Fiscal Year, and the Special Tax shall be levied according to the steps outlined below.

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property within the CFD up to 100% of the Maximum Special Tax determined pursuant to "Maximum Special Tax" until the amount levied on Developed Property is equal to the Special Tax Requirement prior to applying any Capitalized Interest that is available in the CFD accounts;

Step 2: If additional revenue is needed after Step 1, and after applying Capitalized Interest to the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property within the CFD, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year;

Step 3: If additional revenue is needed after applying the first two steps, the Special Tax shall be levied Proportionately on each Parcel of Association Property within the CFD, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year;

Step 4: If additional revenue is needed after applying the first three steps, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Excess Public Property, exclusive of property exempt from the Special Tax as described in "Exemptions" below, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year.

Back-Up Formula. Tentative Map revisions must be reviewed and compared to the Expected Land Uses to evaluate the impact on the Expected Maximum Special Tax Revenues. In addition, Final Maps must be reviewed to ensure they reflect the number of residential lots that was anticipated in the approved Tentative Map. The following steps shall be applied each time a change to the Tentative Map is proposed, and each time a Final Map is proposed for approval by the County ("**Land Use/Entitlement Change**"):

Step 1: The Administrator shall calculate the Expected Maximum Special Tax Revenues for the area in which the Land Use/Entitlement Change is proposed (the "**Affected Area**");

Step 2: The Administrator shall calculate the Maximum Special Tax revenues that could be collected from property in the Affected Area if the Land Use/Entitlement Change is approved;

Step 3: If the amount determined in Step 2 is not more than five percent (5%) less than that calculated in Step 1, the Land Use/Entitlement Change may be approved without further action. If the revenues calculated in Step 2 are *more than five percent (5%) less* than those calculated in Step 1, and **if**:

(a) The landowner does not withdraw the request for the Land Use/Entitlement Change that was submitted to the County; **or**

(b) The Board does not complete proceedings under the Act to increase the Maximum Special Tax to an amount sufficient to maintain the total Maximum Special Tax revenues that could be generated within the CFD before the Land Use/Entitlement Change was approved; **or**

(c) Before approval of the Land Use/Entitlement Change, the landowner requesting the Land Use/Entitlement Change does not prepay a portion of the Special Tax for the CFD in an amount that corresponds to the lost Maximum Special Tax revenue (the "Back-Up Prepayment"), as determined by applying the steps set forth in "Prepayment of Special Tax" below;

then, the amount of the Back-Up Prepayment determined in Step 3.c shall be allocated on a per-acre basis and included on the next property tax bill for all Assessor's Parcels within the property affected by the Land Use/Entitlement Change. The amount allocated to each Assessor's Parcel shall be added to and, until paid, shall be a part of, the Maximum Special Tax for the Assessor's Parcel. This back-up formula shall not apply to Parcels already designated as Developed Property.

If multiple Land Use/Entitlement Changes are proposed at one time (which may include approval of multiple Final Maps at one time), the Administrator may consider the combined effect of all the Land Use/Entitlement Changes to determine if there is a reduction in Expected Maximum Special Tax Revenues that necessitates implementation of Step 3.b or 3.c. If, based on this comprehensive analysis, the Administrator determines that there is a greater than 5% reduction in Expected Maximum Special Tax Revenue, *and all of the Land Use/Entitlement Changes are being proposed by the same land owner*, the Administrator shall determine the required increase in the Maximum Special Tax for the Affected Area (pursuant to Step 3.b) or the required prepayment (pursuant to Step 3.c). If, based on the comprehensive analysis, the Administrator determines that there is a greater than 5% reduction in Expected Maximum Special Tax Revenue, *and not all of the Land Use/Entitlement Changes are being proposed by the same land owner*, the Administrator shall separately consider the impact of the proposed Land Use/Entitlement Changes on each land owner to determine the specific impact of each owner's Land Use/Entitlement Changes.

Collection of Special Tax. The Special Taxes for the Community Facilities District shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in "Prepayment of Special Tax" below and provided further that the Issuer may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on Bonds have been repaid and authorized facilities to be constructed from Special Tax proceeds have been completed. However, in no event shall a Special Tax be levied after Fiscal Year 2040-2041. Pursuant to Section 53321 (d) of the Act, the Special Tax levied against a Parcel used for private residential purposes shall under no circumstances increase more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel or Parcels and shall, in no event, exceed the Maximum Special Tax in effect for the Fiscal Year in which the Special Tax is being levied.

Exemptions. No Special Tax will be levied on up to 1,250 acres of Public Property, except as otherwise provided in the Act. A separate amount of public acreage may be exempted each time property annexes into the Community Facilities District, and such additional exemption shall only apply to property within the annexation area. A Special Tax may be levied on Excess Public Property pursuant to Step 4 of "Method of Levy of the Special Tax" above; however, a public agency may require that the special tax obligation on land conveyed to it that would be classified as Excess Public Property be prepaid pursuant to "Prepayment of Special Tax" below.

In addition to Public Property, no Special Tax shall be levied on (i) Apartment Property, (ii) property designated as permanent open space or common space on which no structure is permitted to be built, (iii) property owned by a public utility for use as an unmanned facility, or (iv) property subject to an easement that precludes any other use on the Parcel.

Prepayment of Special Tax. The Rate and Method allows prepayment of the Special Tax in full or in part, in an amount to be computed as set forth in the Rate and Method.

Covenant to Foreclose

Sale of Property for Nonpayment of Taxes. The Indenture provides that the Special Tax is to be collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ad valorem property taxes. The Indenture also allows the Issuer to collect the Special Taxes by directly billing the property owners in the Community Facilities District, in which event the Special Taxes will become delinquent if they are not paid when due pursuant to the direct billing.

Foreclosure Under the Mello-Roos Law. Under Section 53356.1 of the Act, if any delinquency occurs in the payment of the Special Tax, the Issuer may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale.

Such judicial foreclosure action is not mandatory. However, the Issuer has covenanted in the Indenture that, on or about February 15 and June 15 of each Fiscal Year, the Chief Financial Officer will compare the amount of Special Taxes theretofore levied in the Community Facilities District to the amount of Special Tax Revenues theretofore received by the Issuer, and:

> Individual Delinquencies. If the Chief Financial Officer determines that any single parcel subject to the Special Tax in the Community Facilities District is delinquent in the payment of Special Taxes in the aggregate amount of $5,000 or more, then the Chief Financial Officer will send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings will be commenced by the Issuer within 90 days of such determination. **It should be noted, however, that the Indenture authorizes the Chief Financial Officer to defer initiating foreclosure if the amount in the Reserve Fund is at least equal to the Reserve Requirement**.
>
> Aggregate Delinquencies. If the Chief Financial Officer determines that (i) the total amount of delinquent Special Tax for the prior Fiscal Year for the entire Community Facilities District, (including the total of delinquencies described in "Individual Delinquencies" above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, or (ii) there are ten (10) or fewer owners of real property within the Community Facilities District, determined by reference to the latest available secured property tax roll of the County, the Chief Financial Officer will notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and the Issuer will commence foreclosure proceedings within 90 days of such determination against each parcel of land in the Community Facilities District with a Special Tax delinquency.

Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays. No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the Issuer to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale. See "BOND OWNERS' RISKS," including the subsection entitled "Other Possible Claims Upon the Value of Taxable Property," for a discussion of factors that could impact amounts, if any, to be realized by Bond owners as a result of a foreclosure sale, **including the existence of fixed assessment liens on property in the Community Facilities District that are senior to the lien of the Special Taxes**.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75 percent of the outstanding Bonds is obtained. However, under Section 53356.6 of the Act, the Issuer, as judgment creditor, is entitled to purchase any property sold at foreclosure using a “credit bid,” where the Issuer could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the Issuer becomes the purchaser under a credit bid, the Issuer must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent on the nature of the defense, if any, put forth by the debtor and the Superior Court calendar. In addition, the ability of the Issuer to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner if the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the "**FDIC**"). See "BOND OWNERS' RISKS - Bankruptcy and Foreclosure Delays."

Teeter Plan. The County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code, and the Community Facilities District will participate in the Teeter Plan. As a result, the amount of the Special Tax levy received by the Issuer will reflect total levies rather than the amount collected by the County.

The application of the Teeter Plan may be terminated by the County Board of Supervisors, and the County Board of Supervisors may discontinue the procedure under the Teeter Plan with respect to the Community Facilities District if the rate of secured tax delinquency for that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured rolls in for the Community Facilities District. In the event that the Teeter Plan or its application to the Community Facilities District were to be terminated, the amount of the levy of Special Taxes received by the Issuer would depend upon the actual collections of Special Taxes within the Community Facilities District, and substantial delinquencies in the payment of Special Taxes could impair the Issuer's ability to pay debt service on the Bonds.

Special Tax Fund

Deposits. The Indenture generally obligates the Issuer to transfer all Special Tax Revenues received by it to the Trustee for deposit in the Special Tax Fund; the Indenture also calls for deposit into the Special Tax Fund of certain surplus amounts from the Administrative Expense Fund. Special Tax Revenues constituting payment of the portion of the Special Tax levy for Administrative Expenses will be deposited by the Trustee in the Administrative Expense Fund and any proceeds of Special Tax Prepayments will be deposited by the Trustee directly in the Special Tax Prepayments Account.

Disbursements. On each Interest Payment Date, the Trustee will withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

<u>Bond Fund</u>: an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers to the Bond Fund from the Improvement Fund, the Reserve Fund, the Capitalized Interest Account and the Special Tax Prepayments Account, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date.

<u>Reserve Fund:</u> an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement.

Bond Fund

The Indenture establishes the Bond Fund, and within the Bond Fund, a Capitalized Interest Account and the Special Tax Prepayments Account. Moneys in the Bond Fund and the accounts therein will be held in trust by the Trustee for the benefit of the Owners of the Bonds, will be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, will be subject to a lien in favor of the Owners of the Bonds.

Bond Fund Disbursements. On each Interest Payment Date, the Trustee will withdraw from the Bond Fund and pay to the Owners of the Bonds the principal, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of the mandatory sinking payments or an optional redemption of the Bonds. Amounts deposited in the Bond Fund as a result of a transfer from the Improvement Fund (as a result of completion of the Project and payment of all the costs of the Project) will be used to pay the principal of and interest on the Bonds prior to the use of any other amounts in the Bond Fund for such purpose.

In the event that amounts in the Bond Fund are insufficient for the purposes set forth in the preceding paragraph, the Trustee will withdraw from the Reserve Fund and deposit in the Bond Fund the amount of the insufficiency.

If there are insufficient funds in the Bond Fund to make the required payments, the Trustee will apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Special Tax Prepayments Account Disbursements. Moneys in the Special Tax Prepayments Account will be transferred by the Trustee to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given, and will be used (together with any amounts transferred from the Reserve Fund as a result of the Special Tax prepayment) to redeem Bonds.

Capitalized Interest Account Disbursements. Moneys in the Capitalized Interest Account (to the extent available) will be transferred to the Bond Fund on the Business Day prior to each Interest Payment Date for the payment of interest on the Bonds due on the next succeeding Interest Payment Date.

Reserve Fund

In order to further secure the payment of principal of and interest on the Bonds, certain proceeds of the Bonds will be deposited into the Reserve Fund in an amount equal to the Reserve Requirement (see "ESTIMATED SOURCES AND USES OF FUNDS"). "**Reserve Requirement**" is defined in the Indenture to mean, as of any date of calculation, an amount equal to the least of the following:

(i) the then maximum annual debt service on the Bonds,

(ii) 125 percent of the then-average annual debt service on the Bonds, or

(iii) 10 percent of the then-Outstanding principal amount of the Bonds.

If Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment, a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed and the original principal of the Bonds) will be applied to the redemption of the Bonds.

The Indenture allows the Issuer to release funds from the Reserve Fund and to substitute a Qualified Reserve Fund Credit Instrument, subject to certain conditions.

See “APPENDIX D – Summary of the Indenture” for a description of the timing, purpose and manner of disbursements from the Reserve Fund.

Limited Obligation

All obligations of the Issuer under the Indenture and the Bonds are special obligations of the Issuer, payable solely from the Trust Estate. See "THE ISSUER ".

No Acceleration

The principal of the Bonds are not subject to acceleration under the Indenture as a result of a default relating to the Indenture or the Bonds.

THE ISSUER

The following information relating to the Issuer is included only for the purpose of supplying general information regarding the Issuer. The Bonds are not payable from any of the Issuer's revenues or assets other than the Trust Estate.

The Issuer is a joint powers agency duly organized and existing under the laws of the State of California. The Issuer was formed pursuant to the terms of a Joint Powers Agreement, dated as of April 1, 1990, as amended as of September 18, 1990 and June 9, 1992, and the Joint Exercise of Powers Act of the State (constituting Chapter 5, commencing with Section 6500, of Division 7 of Title 1 of the California Government Code), in order to assist nonprofit corporations and other entities to obtain financing for projects located within the several jurisdictions of the Issuer's members with purposes serving the public interest.

The Bonds are limited obligations of the Issuer and the principal thereof, and premium, if any, and interest thereon, are payable solely from, and secured in accordance with their terms and the provisions of the Indenture solely by, the Special Tax Revenues and the other amounts pledged therefor under the Indenture. Neither the Issuer, the Association of Bay Area Governments ("ABAG"), any of the member of the Issuer or ABAG, the State, nor any political subdivision thereof (except the Issuer, to the limited extent set forth in the Indenture) will in any event be liable for the payment of the principal of, or premium (if any) or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever, and none of the Bonds or any of the Issuer's agreements or obligations will be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of the Issuer, ABAG, or the members of the Issuer or ABAG, the State or any political subdivision thereof (except the Issuer, to the limited extent set forth in the Indenture) within the meaning of any constitutional or statutory provision whatsoever. Neither the Issuer nor ABAG has any taxing power.

THE COMMUNITY FACILITIES DISTRICT

General

The Community Facilities District is located in an unincorporated area of Contra Costa County (the "**County**") east of the City of San Ramon (the "**City**"), approximately 35 miles southeast of San Francisco and 390 miles north of Los Angeles. The City and its sphere of influence are bounded by Alameda County and open space to the west, the Town of Danville to the north, and the Alameda County line and City of Dublin to the south. Property in the Community Facilities District will be eligible to be annexed to the City after approval of final maps for development.

The Community Facilities District is adjacent to a developing area of residential and commercial uses and near to significant new commercial development within the "I-580" and "I-680" corridors, which begins in Alameda County within the communities of Pleasanton and Dublin and extends north along Interstate 680 to include the Contra Costa County communities of San Ramon, Danville, Walnut Creek, and Concord. The Community Facilities District is located approximately 2 miles northeast of the intersection of Interstate 680 and Interstate 580, the region's major north/south and east/west transportation arteries. The Property also has nearby access to the Bay Area Rapid Transit System ("**BART**") at the Pleasanton BART station located approximately 2 miles south of the border of the Property at Dougherty Road and I-580.

Property within the Community Facilities District comprises approximately one-half of the Dougherty Valley area planned for development (see "- The Dougherty Valley Specific Plan" below). All of the remaining property in the area, other than the Camp Parks government-owned land (described below), is owned by Shapell Industries (Gale Ranch) and planned primarily for residential development.

For demographic information regarding the City, the County and the Tri-Valley Area, see APPENDIX A. The boundary map showing the boundaries of the Community Facilities District is attached as APPENDIX I.

The Dougherty Valley Specific Plan

The Community Facilities District, consisting of 1,951 acres, is part of the larger 2,320-acre Windemere Ranch master development, and is located on the eastern portion of the Dougherty Valley within the Dougherty Valley Specific Plan area. The Dougherty Valley Specific Plan was approved in December 1992 (and amended in November 1996) and totals 5,978 acres projected for development of 11,000 housing units. The specific plan area is comprised of the Windemere Ranch, adjacent land being developed by Shapell Industries (a project known as Gale Ranch) and the Camp Parks property.

Shapell Industries' Gale Ranch project includes a total of 2,708 acres, of which 1,113 acres are designated for residential development. The project also includes a golf course and clubhouse, and is entitled for 5,830 total units. The Appraisal states that 1,216 of the 5,830 total units in Gale Ranch had been sold as of May 5, 2004.

Camp Parks, a 950-acre property belonging to the U.S. Army that is adjacent to the southern edge of Windemere Ranch, is used to train National Guard, Army Reserve Soldiers and Naval Reserve Seabees. The Dougherty Valley Specific Plan designates Camp Parks as open space, although the Dougherty Valley Specific Plan has no regulatory authority over federal government activities.

The Dougherty Valley Specific Plan provides that Dougherty Valley is planned to be developed as a cluster of residential neighborhoods supported by retail and community services surrounded by creek corridors and/or open space. Neighborhoods are planned to contain a variety of housing types derived from a range of permitted residential categories. Each residential area carries a density designation which ensures that not more than 11,000 homes will be built in the valley. The Dougherty Valley Specific Plan requires development of 25 percent of all dwelling units as affordable to low-, very-low- and moderate-income households. Commercial and retail uses and a community college site are accommodated in the Village Center and additional commercial and retail uses are planned for other strategic locations in the community.

The County is currently considering a Specific Plan amendment that would modify the allocation of acreage and dwelling units among the various uses authorized by the Specific Plan, but would not change the total permitted residential units. The tentative maps approved for Phases 2-5 of the Windemere Ranch project and the final map approved for Phase 2 are consistent with the proposed amendment to the Specific Plan.

For information about the proposed development in the Community Facilities District, see "PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT" below.

Entitlement Status

The Dougherty Valley Specific Plan. Current development entitlements require development in the Community Facilities District to be in conformance with the Dougherty Valley Specific Plan. See "Dougherty Valley Specific Plan" above. Tentative maps and some final maps have been approved for development in the Community Facilities District consistent with the Dougherty Valley Specific Plan (as currently proposed for amendment), however it is possible to make changes to the Specific Plan and some changes may occur.

Status. The following table describes the current and projected status of entitlements for Phases 2 through 5 assuming the development proceeds as currently contemplated.

Phase	Date of Tentative Map	Date of Final Map
2	November 2002	December 2003
3	April 2004	November 2006 (1)
4	April 2004	November 2004
Subphase 5A	April 2004	November 2005 (1), (2)
Subphase 5B	April 2004	November 2007 (1), (3)

(1) Subject to change.
(2) 601 single-family units in Villages 40-46.
(3) 275 single-family units in Villages 47-49.

Development Agreement. In January 1996, Windemere Ranch Partners ("**WRP**"), the then-owner of the Windemere Ranch property and the predecessor in interest to the Master Developer, executed a 25-year development agreement ("**Development Agreement**") with the County. Under

State law, the Development Agreement has the effect of vesting the Master Developer or a successor master developer with conditional development rights for 5,170 residential units (which are proposed for development in Phases 1 through 5) and 369,200 square feet of commercial space (which is proposed for development in Phase 1). Subject to certain conditions and exceptions, the County has agreed not to apply to the property in the Community Facilities District any ordinance, regulation, standard, or measure that reduces the timing of development, density, fees or other rights of the Master Developer with respect to development of the property as provided in the Development Agreement. The Development Agreement imposes certain other terms and conditions applicable to the project.

Prior to development of any phase, approvals and permits such as the following approvals and permits must be obtained from the County ("**Project Approvals**"): design review approvals, improvement agreements, use permits, grading permits, building permits, lot line adjustments, sewer and water connection permits, certificates of occupancy, subdivision maps, final development plans, landscaping plans, encroachment permits, and amendments to planning actions or approvals. The Development Agreement requires that, upon submission by the property owner of all appropriate applications and processing fees for any Project Approval, the County will use its best efforts to promptly and diligently complete all steps necessary to act on the Project Approval application.

The Development Agreement requires compliance with the Dougherty Valley Affordable Housing Program, which requires that 25 percent of all dwelling units be developed as affordable to low, very low, and moderate income households. The Master Developer currently anticipates development of 1,293 apartment units (including 293 units in Phase 3, which are exempt from Special Taxes, and 1,000 units in Phase 1 of the Windemere Ranch development, which are outside the Community Facilities District) to be constructed in satisfaction of this requirement.

Settlement Agreement. In May 1994, WRP and Shapell Industries, Inc. executed an agreement to settle litigation (the "**Settlement Agreement**") relating to the Dougherty Valley general plan amendment, specific plan, and environmental impact report. The Settlement Agreement is with the County, the City of San Ramon, and the Town of Danville in response to litigation initiated in January 1993.

The Settlement Agreement: (1) establishes performance standards for the provision and phasing of facilities, infrastructure, and services including roads, parks, open space, trails, community facilities, police, fire protection, and schools; (2) requires the analysis of traffic levels of service and the implementation of mitigation measures (if required); and (3) a variety of other requirements related to development in the Dougherty Valley, including measures relating to the financing, delivery, operation and maintenance of infrastructure and other public facilities.

The Settlement Agreement required, among other things, establishment of a financing mechanism (later established as CSA-M29) to receive property taxes and extra assessments from Dougherty Valley development to operate and/or maintain police services, parks and trails, open spaces, landscape areas, library, community center, senior center, corporation yard, flood and drainage facilities and internal roads. CSA-M29 was established in 1998. Upon annexation by the City, CSA-M29 revenues and responsibilities will be shifted from the County to the City, as established in later agreements between the parties.

The Settlement Agreement contains a list of Initial Project Traffic Improvements that the parties agree mitigate traffic-related impacts up to the development of 8,500 residential units in the Dougherty Valley (4,505 units for Shapell and 3,995 units for Windemere Ranch). The 11,000 residential unit entitlement (5,830 for Shapell and 5,170 for Windemere Ranch) was limited based on traffic generation, but additional traffic generation studies have been performed and the Master Developer believes that build-out to its 5,170-unit entitlement may now proceed based on a later settlement agreement entered into between the Town of Danville and certain other parties, and upon the County's recent approval of a tentative subdivision map permitting the development of Windemere Ranch with a total of 5,170 dwelling units.

The Settlement Agreement also contains a schedule of Additional Project Traffic Improvements designed to address off-site traffic issues. The cost of these traffic improvements is based on the Dougherty Valley's pro rata share of the impact. A per-unit fee will be paid at the time a building permit is obtained to offset any pro-rata impact. It is unlikely that any significant further traffic mitigation would be needed because: (1) the existing traffic improvements list is based on traffic generated by 11,000 units; and, (2) since the Settlement Agreement was completed in 1994, numerous projects and communities in the area have experienced a reduction in permitted units. For example, Pleasanton's general plan revision reduced residential units from 8,000 to 6,000.

Parallel settlement agreements have been executed with the East Bay Municipal Utilities District, Walnut Creek, Pleasanton, and numerous non-governmental organizations including the Sierra Club, Greenbelt Alliance, and the Audubon Society, among others. In addition, the County, the City, Shapell Industries and WRP executed a Memorandum of Understanding dated October 15, 1997 to document, coordinate and implement the Settlement Agreement.

Master School Impact Mitigation Agreement. The Master Developer is a party to a Master School Impact Mitigation Agreement dated May 22, 2001 (the "**Master School Mitigation Agreement**") with the San Ramon Valley Unified School District (the "**SRVUSD**"). The purpose of the Master School Mitigation Agreement was to provide for adequate school facilities for the students to be generated by the 5,170 dwelling units expected to be constructed in Windemere Ranch, and the Master Developer agreed to provide school sites for, and construct or provide financing for the design, construction and furnishing of, two elementary schools, a middle school and one-half of an 1,800-student high school (although the Master School Mitigation Agreement provides for the possibility of additional schools based on a showing of need, and the high school will be constructed entirely on Windemere Ranch property), as well as the costs of interim housing of students generated by Windemere Ranch pending completion of each school.

Environmental Conditions

CEQA Review. On December 22, 1992, the County Board of Supervisors certified an environmental impact report (the "**EIR**") for Windemere Ranch and approved a General Plan amendment and the Dougherty Valley Specific Plan. The Settlement Agreement described above settled various lawsuits challenging the General Plan amendment, the Specific Plan and the EIR. Subsequent to initial certification of the EIR, the following CEQA actions occurred:

- On December 19, 1995, following preparation of an Addendum to the EIR, the County Board of Supervisors rezoned the Windemere Ranch site for development consistent with the Specific Plan. At that time, the County entered into the Development Agreement with WRP.

- A Final Subsequent EIR was prepared and certified by the County Board of Supervisors in November 1996 for the Dougherty Valley General Plan Amendments, 1996 Dougherty Valley Specific Plan, tentative subdivision maps and final development plans for Phase 1of Windemere Ranch and the Gale Ranch II project (the “**1996 SEIR**”).

- In January 1998, the Zone 7 Water Resources Agency approved a Subsequent EIR evaluating the impacts of delivering water to the Dougherty Valley. The water was secured by Zone 7 from the Berrenda Mesa Water District in Kern County. Litigation challenging that Subsequent EIR, along with a companion validation action, were settled in November 1999.

- In November 2002, Contra Costa County approved the Phase 2 tentative map. An Addendum to the 1996 SEIR was prepared and adopted at that time.

- The San Ramon Valley Unified School District, pursuant to its rights under the Master School Impact Mitigation Agreement and the Specific Plan, later requested that the middle school site be relocated from its original site north of Bollinger Canyon Road in the Windemere portion of Dougherty Valley to one further south on Bollinger Canyon Road. In approving the middle school relocation, the San Ramon Valley School Board on February 11, 2003 adopted an Addendum to the EIR and 1996 SEIR.

- On December 2, 2003, the Contra Costa County Planning Commission approved the Windemere portion of the Dougherty Valley Village Center Neighborhood Plan, County File #DP03-3037. An Addendum to the EIR and 1996 SEIR was prepared and adopted for the Village Center.

- In April, 2004, the County approved the tentative maps for Phases 3-5. An Addendum to the EIR and 1996 SEIR was prepared and adopted.

No significant additional CEQA review is expected for development of Phases 2-5 if built-out in a manner consistent with its current entitlements, except (i) with respect to the proposed 293 affordable multi-family units, which are exempt from the Special Taxes, and (ii) in certain circumstances (e.g., changed circumstances, modified project, new impacts), CEQA may require additional review in connection with any further discretionary entitlements.

Hazardous Substances. Engeo Incorporated, San Ramon, California, prepared a Phase One Environmental Site Assessment for the Windemere Ranch property dated May 16, 1996, which concluded that there was no evidence of recognized environmental conditions associated with the property. The Master Developer is not aware of any facts or conditions inconsistent with Engeo Incorporated's conclusions.

Geologic Conditions. The Master Developer, and its predecessor, commissioned hydrologic and geotechnical studies for Phases 2-5 from Engeo Incorporated, San Ramon, California. Engeo concluded that the proposed development is feasible from a geotechnical standpoint provided the recommendations included in its reports are followed. The Master Developer believes that it has addressed, in the design and development of the Windemere Ranch site, all hydrologic and geotechnical issues that would adversely impact the proposed development. The Geologic Hazards Abatement District (GHAD) was formed to perform ongoing geologic/geotechnical maintenance of open space areas within the Dougherty Valley; during site preparation, the Master Developer has removed landslide hazards only to the extent they would pose a threat to improvements.

With respect to seismic risk, Engeo Incorporated concluded that (i) no active faults are known to pass through the site, (ii) the nearest faults are the Calaveras Fault (located approximately 4 miles to the southwest) and the Greenville Fault (located approximately 8 miles to the northeast), (iii) the potential for ground rupture is low, (iv) the risk of sympathetic ground movements due to an earthquake on a nearby fault is very minor, (v) the soils underlying Phases 2-5 have a low liquefaction potential and (vi) to mitigate the ground shaking effects of a moderate to high magnitude earthquake within the San Francisco Bay Region, all structures should be designed using sound engineering judgment and the latest Uniform Building Code requirements as a minimum, which, according to the Master Developer, has been done.

Endangered and Threatened Species. Development in the Community Facilities District is subject to a number of conditions imposed by (i) U.S. Army Corps of Engineers Section 404 Permit, incorporating terms and conditions identified in a Biological Opinion prepared by the U.S. Fish and Wildlife Service and the terms of the Final Windemere Mitigation and Monitoring Plan (LSA Associates) dated May 3, 2000, (ii) Waste Discharge Requirements issued by the Regional Water Quality Control Board, and (iii) a series of 1602 Lake and Streambed Alteration Agreements entered into with the California Department of Fish and Game.

Because the Windemere Ranch project will result in fill of 5.36 acres of jurisdictional wetlands and other waters of the United States, the Master Developer prepared a Final Mitigation and Monitoring Plan providing for the protection, enhancement, and creation of wetlands and adjacent riparian corridors. The Final Mitigation and Monitoring Plan, which has been approved by the U.S. Army Corps of Engineers, the U.S. Fish and Wildlife Service, the Regional Water Quality Control Board, and the California Department of Fish and Game, also includes measures designed to preserve and enhance habitat for any special status species known to occur on the project site or the immediate vicinity of the site. Species specifically covered in the Final Mitigation and Monitoring Plan are the San Joaquin kit fox (federally listed as threatened), the California red-legged frog (federally listed as threatened and State listed as a species of special concern) and the California tiger salamander (a federally proposed threatened species and a State species of special concern). Mitigation land has been placed under a conservation easement held by the Center for Natural Lands Management, which will manage the land as permanent open space habitat for the benefit of the listed species. Two special assessment districts (CSA-M29 and GHAD) were formed to serve as permanent funding vehicles. The Master Developer expects, upon project completion, to transfer the open space to GHAD. The Final Mitigation and Monitoring Plan includes mitigation measures, conservation measures, development/open space interface measures and habitat restoration provisions. So long as the provisions of the Final Mitigation and Monitoring Plan and the permits issued by the resource agencies are satisfied, the Master Developer does not believe that the existence of endangered or threatened species will adversely impact development of Windemere Ranch as currently proposed.

Overlapping Taxes, Charges and Assessments

Certain local agencies provide public services and assess property taxes, assessments, special taxes and other charges on the property in the Community Facilities District.

Taxes and Charges. The base tax rate on property in the Community Facilities District is 1.0456 percent. In addition, property in the Community Facilities District is subject to the following additional annual charges (which are billed semi-annually to property owners on their property tax bills):

Description	Amount per Parcel
Emergency Med A	$ 4.00
Contra Costa Mosquito and Vector Control	4.00
East Bay Regional Park District LLD	5.44
Contra Costa County Federal Stormwater Fee	30.00
Central Costa Costa Sanitary District Assessment	272.00
Total	$315.44

Overlapping Assessments. Property in the Community Facilities District is subject to the following assessments:

Windemere Ranch Assessment District No. 1999-1. The Association of Bay Area Governments ("**ABAG**") formed Windemere Ranch Assessment District No. 1999-1 ("**AD 1999-1**"). All of the Community Facilities District lies within AD 1999-1, which also includes Phase 1 of the Windemere Ranch project.

ABAG has issued a total of $125 million of Limited Obligation Improvement Bonds in three series with respect to AD 1999-1: Series 1999, Series 2000 and Series 2002 (collectively, the "**AD 1999-1 Bonds**"). The AD 1999-1 Bonds were issued to (i) refinance certain existing assessments levied with respect to Windemere Ranch Assessment District No. 1997-1 and (ii) finance acquisition and construction of certain improvements of benefit to AD 1999-1. Collectively, the special assessments securing the AD 1999-1 Bonds are referred to in this Official Statement as the "**Overlapping AD 1999-1 Assessments**". See "Relative Priority of Liens" below.

The AD 1999-1 Bonds remain outstanding in a principal amount of approximately $117.4 million, of which $89.6 million is attributable to parcels in the Community Facilities District (although $2.7 million of the Overlapping AD 1999-1 Assessments is attributable to the parcel intended to be developed with 293 affordable multi-family units being built in Phase 3, and that parcel is not subject to the Special Tax). The Issuer has agreed in the Indenture that, in the event of foreclosure on property in the Community Facilities District, the rights of owners of the Bonds to proceeds of such foreclosure shall be subordinate to the rights of the owners of the AD 1999-1 Bonds, and Special Tax delinquencies and future Special Tax liens may be extinguished under the circumstances set forth in the Indenture. See " - Relative Priority of Liens" below.

*County Service Area Maintenance District 29 Dougherty Valley ("**CSA-M29**"):* CSA-M29 collects an assessment to provide for services, including, but not limited to, police service, operation and maintenance of parks, trails, recreation areas, open space, special landscaping areas, the library, community center, senior center, corporation yard, flood control and storm drainage facilities, and interior road network. The total annual assessment for Fiscal Year 2003-04 is $982.10 per unit for single-family lots, townhomes and condominiums (subject to CPI increases).

*Geological Hazard Abatement District 90-01 ("**GHAD**"):* GHAD collects an assessment for the purpose of prevention, mitigation, abatement or control of geologic hazard, and mitigation or abatement of structural hazards caused by geological hazards. According to the City of San Ramon Engineering Department, administrators of the GHAD assessment, the annual assessment for Fiscal Year 2003-04 is approximately $101 per unit for single-family lots, townhomes and condominiums.

Dublin San Ramon Services District - Dougherty Valley Standby Charge District 2000-1 (DV District 2001-1): This assessment is collected to pay for the annual costs of securing water rights for the Dougherty Valley area. The Fiscal Year 2003-04 annual assessment for single-family lots is approximately $65.58 per lot (subject to annual adjustment based on actual costs).

Total Burden on Taxable Residential Property in the Community Facilities District. The following table details the total burden of taxes, charges, assessments and Special Taxes on taxable residential property in the Community Facilities District:

Table 1
Total Burden on Taxable Residential Property

Type of Property	Village	Est. Value per Unit (1)	Ad Valorem Taxes (2)	CSA-M29	GHAD	AD 1999-1 (3)	Other Levies (4)	Special Taxes (5)	Total Annual Burden	Annual Burden as % of Value
Single Family Det.	37, 49	$1,100,000	$11,502	$982	$101	$5,592	$381	$1,970	$20,528	1.86%
Single Family Det.	25, 31, 45, 48	950,000	9,933	982	101	3,420	381	1,710	16,527	1.73
Single Family Det.	24, 35, 40, 46	941,000	9,839	982	101	3,112	381	1,660	16,075	1.70
Single Family Det.	23, 30, 36, 47	855,000	8,940	982	101	3,112	381	1,440	14,956	1.74
Single Family Det.	22, 29, 34, 42	815,000	8,522	982	101	2,804	381	1,370	14,160	1.73
Single Family Det.	20, 21, 32, 33, 43, 44	721,000	7,539	982	101	2,326	381	1,210	12,539	1.73
Single Family Det.	28	695,000	7,267	982	101	2,018	381	1,130	11,879	1.70
Single Family Det.	39, 41	614,000	6,420	982	101	1,710	381	890	10,484	1.70
Condominium	27	418,000	4,371	982	101	770	381	530	7,135	1.70
Townhome	38	613,000	6,410	982	101	1,402	381	1,210	10,486	1.70

(1) Source: Master Developer estimated the sales price per unit based upon sales of homes in Phase 1 of Windemere Ranch (which is not part of the Community Facilities District), Phase 2 and Gale Ranch.
(2) Total ad valorem taxes include property taxes and other tax overrides totaling 1.0456% of value.
(3) Estimated, based on preliminary apportionment by AD 1999-1; may change based upon final apportionment by AD 1999-1.
(4) Other levies include: (i) Dublin San Ramon Services District Dougherty Valley Standby Charge District 2001-1 ($66), (ii) Emergency Med A ($4), (iii) Contra Costa Mosquito and Vector Control District ($4), (iv) East Bay Regional Park District Landscaping & Lighting District ($5), (v) Contra Costa County Federal Storm Water ($30) and (vi) Central Contra Costa Sanitary District Assessment ($272).
(5) Reflects the maximum Special Taxes on Developed Property established by the Rate and Method.

Source: Goodwin Consulting Group.

Relative Priority of Liens. In general, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the Bonds, the Special Tax usually would be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes would generally be on a parity with the other taxes, assessments and charges, and would share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy.

The Issuer has agreed in the Indenture that, in the event of foreclosure on property in the Community Facilities District, the rights of owners of the Bonds to proceeds of such foreclosure shall be subordinate to the rights of the owners of bonds payable from the Overlapping AD 1999-1 Assessments and Special Tax delinquencies and future Special Tax liens may be extinguished under the circumstances set forth in the Indenture. More specifically, in the event of a delinquency in payment of Special Taxes levied on any parcel in the District, and if action is initiated by or on behalf of the Issuer to collect such delinquency, the Issuer and the Community Facilities District expressly agree in the Indenture to subordinate the obligation of any such parcel to pay Special Taxes to any obligation of such parcel in respect of assessments levied or to be levied thereon for AD 1999-1 or any reassessment district created in connection with the refunding of any bonds issued by AD 1999-1 (together, the "Assessment District") with the purpose and effect as follows:

(a) any amount collected in respect of any action taken to collect the delinquent Special Taxes on a parcel shall first be used to satisfy any delinquent assessment or reassessment lien of the Assessment District with respect to such parcel (to the extent such Assessment District delinquency is not otherwise satisfied in connection with actions to collect the same);

(b) to the extent required to effect a foreclosure sale of any parcel with delinquent Special Taxes and delinquent assessments or reassessments levied by the Assessment District, first the delinquent Special Taxes shall be reduced and forgiven as necessary to effect such sale, and, if a sale of the parcel subject to delinquent assessments and reassessments cannot be sold if all delinquent Special Taxes have been reduced and forgiven, the future Special Tax levy on such parcel may be permanently reduced and discharged (such reduction and discharge to be deemed to be a prepayment of Special Taxes for such parcel under the Rate and Method) to the extent, and only to the extent, necessary to allow such sale to occur, and

(i) the parcel shall remain subject to the remaining assessment or reassessment lien of the Assessment District not yet due and payable, and

(ii) proceeds of such sale, if any, shall be used to pay the delinquent assessments or reassessments levied by the Assessment District.

Pursuant to the foregoing, to the extent necessary to collect delinquent assessments and reassessments levied by the Assessment District on a parcel:

First: delinquent Special Taxes on such parcel shall be reduced and discharged, and then

Second: future Special Taxes on such parcel shall be reduced and discharged, as necessary to allow for collection of delinquent assessments and reassessments levied by the Assessment District with the parcel subject to all future assessments and reassessments of the Assessment District encumbering such parcel.

In connection with the foregoing, (i) delinquencies shall include all statutory interest and penalties associated therewith, and (ii) the foregoing shall not in any way prohibit the reduction of assessment or reassessment delinquencies or encumbrances on a parcel by or on behalf of the Assessment District if necessary (in the judgment of the administrator of the Assessment District or otherwise by proceedings in accordance with applicable law), following the reduction and discharge of all delinquent and future Special Taxes in respect of such parcel, to collect as much as possible of the delinquent and future assessments or reassessments on such parcel by the Assessment District.

Appraised Property Value

The Appraisal. The Appraisal was prepared by Smith & Associates, Inc., Danville, California (the "**Appraiser**") to ascertain the market value of the fee simple estate of property in the Community Facilities District slated for development of 2,645 units (which does not include the proposed 293 affordable multi-family units in Phase 3, which are exempt from the Special Tax) as of a April 21, 2004 date of value.

The Appraisal was intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice, and with the California Debt and Investment Advisory Commission's appraisal standards.

Basis for Appraisal and Assumptions. The Appraisal was based on certain assumptions and limiting conditions, including the following, among others:

- The property is subject to the Special Tax and the various assessments, taxes and charges described in "Overlapping Taxes, Charges and Assessments" above.
- There are no hidden or unapparent conditions of the property, subsoil or structures.
- There are no hazardous substances on or in the appraised property or in such proximity as to cause a loss in value.
- All entitlements are in place for development of Windemere Ranch as contemplated, and there will be services provided to the site.
- The project will be built-out by three builders (the Merchant Builders, or their affiliates).
- No growth management approvals will be issued that place a ceiling on the maximum potential absorption for the project.
- The cost of developing backbone infrastructure and in-tract improvement will be consistent with historical costs experienced by the Master Developer and provided to the Appraiser.
- The presence of wetlands or endangered species on the subject property will not adversely impact the proposed development.
- The nature, manner and overall timing of development is based on development plans provided by the Master Developer. The Master Developer informed the Appraiser, however, that because the entitlements are being processed for Phases 3-5 simultaneously, and because of the extended development time associated with Phases 3 and 5, the nature, manner and timing of actual development of the project may vary. The Master Developer also informed the Appraiser that the development plans provided to the Appraiser accurately describe its current development plans.
- The applicable development cost estimates in the Appraisal assume bonds will be issued with respect to the Community Facilities District, and that the following bond proceeds will be available to reimburse the Master Developer for construction of public improvements: (i) approximately $23.6 million of proceeds from the Bonds and (ii) approximately $6.8 million from a second series anticipated to be sold in 2006 (see "SECURITY FOR THE BONDS - Additional Obligations Secured by Special Taxes"). Although the Appraiser assumes that the second series of bonds will be issued, it should be noted that there are no assurances that a second series of bonds will be issued and, as a result, the $6.8 million anticipated to be generated by a second series of bonds might not be available (in which case the Master Developer, or merchant builders, would bear those costs).

Value Estimate. The Appraiser estimated that, as of the April 21, 2004 date of value, the fee simple estate in the property within the Community Facilities District had the following market value:

Phase	Property Description	Marketing/ Exposure Time	Appraised Value
2 (1)	448 finished lots owned by the Merchant Builders	3 months	$162,307,000
3 (2)	Vacant land entitled for 384 detached lots and 179 condominium lots	9 months	30,600,000
4 (3)	Vacant land entitled for 526 detached lots, 91 cottage lots and 141 townhouse lots	9 months	115,000,000
5	Vacant land entitled for 876 detached lots in two phases of development (Subphase 5A: 601 lots; Subphase 5B: 275 lots)	9 months	102,500,000
Total (1)			$410,407,000

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(1) The Appraiser did not value the subject property in bulk, but instead valued the subject property (a) as finished lots by each ownership group for Phase 2 and (b) "as is" by phase for Phases 3-5.

(2) Phase 3 also includes property designated for development of 293 affordable multi-family units which are exempt from Special Taxes pursuant to the Rate and Method and, as a result, is not subject to foreclosure in the event of delinquencies in the payment of Special Taxes with respect to other property in the Community Facilities District. Consequently, this property was not valued by the Appraiser.

(3) The Master Developer is in contract to sell all of the residential lots in Phase 4 in finished or superpad condition to the Merchant Builders (or affiliates of the Merchant Builders), with the closing expected to occur in November 2004. The contract purchase price for the Phase 4 lots is $223,291,756, although the price is generally subject to re-evaluation based on market conditions 45 days prior to the closing date(the price may increase but not decrease); the portion of the price attributable to Villages 38 and 39 ($46,694,490) is not subject to re-evaluation.

Valuation Methods. The Appraiser estimated the value based on the "as is" condition of the property as follows:

Step 1 - Revenues: the Appraiser estimated the value of the developable property as finished sites ready for development of production homes using a discounted cash flow model.

Step 2 - Absorption: The Appraiser developed an absorption rate based on comparable data. The Appraiser concluded a market-rate absorption rate of 550 lots per annum is "highly reasonable" and estimated a total life of the project's 2,645 units (excluding the 293 affordable units) of 5 years. The Appraiser assumed there would be no "growth control" measures throughout the development of Phases 2-5.

Step 3 - Fixed and Variable Costs. The Appraiser deducted from the revenues applicable fixed (including backbone infrastructure costs, in-tract costs for the development of finished lots and property taxes) and variable expenses (costs allocated to sales and marketing, project overhead and entrepeneurial profit). Based upon information provided by the Master Developer, the Appraiser assumed the following costs for Phases 3-5:

Phase	Total Remaining Backbone Infrastructure Costs (1)	Total In-Tract Costs
3 (2)	$ 61,973,999	$12,980,921
4	35,681,413	17,900,162 (detached)
		654,102 (townhouse, courtyard)
5	50,396,099	30,620,553
Total	$148,051,511	$62,155,738

(1) $30.4 million of public improvement costs are not included in this column on the assumption that $23.6 million of proceeds of the Bonds and $6.8 million of proceeds from a proposed second series of bonds to be issued with respect to the Community Facilities District will be available to reimburse the Master Developer for the cost of public improvements. The appraiser notes, however, that there can be no assurance that a second series of bonds will be issued and that the Master Developer would bear these costs in that event.

(2) Does not include costs associated with the 293 affordable multi-family units that are exempt from Special Taxes.

Step 4 - Discount Rate. The Appraiser applied a discount rate (based on alternative investments) of 20 percent.

Neither the Underwriter nor the Issuer makes any representation as to the accuracy or completeness of the Appraisal. See APPENDIX C for excerpts from the Appraisal Report.

Appraised Value to Burden Ratio

The table below shows the projected value to burden ratio for the property in the Community Facilities District based on the appraised values set forth in the Appraisal, the principal amount of the Bonds and the lien of the Overlapping AD 1999-1 Assessments.

No assurance can be given that the amounts shown in this table will conform to those ultimately realized in the event of a foreclosure action following delinquency in the payment of the Special Taxes and/or the Overlapping AD 1999-1 Assessments. See "BOND HOLDERS' RISKS - Property Values and Property Development".

Table 2
Appraised Values and Value to Burden Ratios

Phase	Units (1)	Maximum Special Tax (2)	% of Max. Special Tax Revenue	Allocable Share of Bonds (3)	Overlapping AD 1999-1 Assessments (4)	Appraised Value (5)	Value to Burden Ratio (6)
2							
Village 20-Centex Homes	76	$91,960	3%	767,863	$2,109,020	$25,460,000	8.85
Village 21-Greystone Homes	55	66,550	2	555,690	1,526,264	18,425,000	8.85
Village 22-Brookfield Homes	69	94,530	3	789,322	2,308,024	24,495,000	7.91
Village 23-Centex Homes	77	110,880	3	925,844	2,842,089	28,875,000	7.66
Village 24-Brookfield Homes	68	112,880	3	942,544	2,536,763	25,500,000	7.33
Village 25-Greystone Homes	103	176,130	5	1,470,679	4,268,751	39,552,000	6.89
3	563	642,980	18	5,368,860	15,271,461	30,600,000	1.48:1
4	758	1,013,370	28	8,461,603	23,128,957	115,000,000	3.64:1
5	876	1,283,550	36	10,717,596	32,960,247	102,500,000	2.35:1
	2,645	$3,592,830	100%	$30,000,000	$86,951,578	$410,407,000	3.51:1

(1) Source: Rate and Method. Excludes the 293 affordable multi-family housing units planned for development in Phase 3, which are exempt from the Special Tax.
(2) Source: Rate and Method.
(3) Reflects the allocable share of the principal amount of the Bonds based on the total expected Maximum Special Tax Revenues (as defined in the Rate and Method) in each village or phase based on Expected Land Uses (as defined in the Rate and Method) for such village or phase.
(4) Source: Carlson, Barbee, & Gibson, Inc. on behalf of the Master Developer. The Overlapping AD 1999-1 Assessments for Phase 3 do not include $2,683,418.30 attributable to the property planned for development of 293 affordable multi-family housing units.
(5) Source: Appraisal.
(6) Appraised value divided by allocable share of Bonds and Overlapping AD 1999-1 Assessments. The value to burden ratio does not reflect the burden of other liens and charges described in "Overlapping Taxes, Charges and Assessments"; however, the Indenture, in its requirement for an aggregate 3:1 value-to-lien ratio as a condition for issuance of Parity Bonds, takes into consideration all "fixed assessment liens".

PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT

The information about the Master Developer and the Merchant Builders contained in this Official Statement has been provided by representatives of the Master Developer and the Merchant Builders and has not been independently confirmed or verified by the Underwriter or the Issuer. Neither the Underwriter or the Issuer makes any representation as to the accuracy or adequacy of this information.

There is no assurance that the Master Developer and the Merchant Builders will continue to own their property in the Community Facilities District, that the Merchant Builders will acquire additional property in the Community Facilities District or that the Master Developer and the Merchant Builders will develop their property in the Community Facilities in the manner or in the time frame described below following the issuance of the Bonds.

Ownership of Property by the Master Developer

Original Purchase by the Master Developer. In May 1998, Windemere Ranch Partners, a California limited partnership ("**WRP**"), as optionor, entered into an Option Agreement with the Master Developer, as optionee, wherein the Master Developer was granted an option to purchase the Windemere Ranch property. WRP was formed in 1986 for the purpose of owning the property and obtaining certain entitlements with respect to the property. During approximately 15 years prior to acquisition by the Master Developer, affiliates of WRP were responsible for planning for development of the property in the Community Facilities District and took significant steps to secure existing project approvals.

Pursuant to its intention to exercise the option, the Master Developer expended money for option payments, entitlements, engineering, mapping and other expenses related to the expected development of the property. On April 13, 2000, the Master Developer acquired all of the property in the Community Facilities District from WRP.

The Master Developer financed acquisition of the property in the Community Facilities District with a secured revolving line of credit from a consortium of banks comprised of California Bank & Trust, Fleet Bank, Washington Mutual Bank and First Bank and Trust (the "**Line of Credit**"); there is $75 million available under the Line of Credit, of which approximately $59 million had been drawn down and remains outstanding as of May 15, 2004. The Line of Credit is scheduled to terminate on January 15, 2005, but the Master Developer has an option to extend the Line of Credit through November 15, 2005 (with a reduced available balance of $50 million). The Line of Credit bears interest at LIBOR plus 2.5 percent. The Line of Credit is secured by a deed of trust on property in Phases 3 through 5 of the Community Facilities District (although parcels are released from the lien of the deed of trust when they are sold to merchant builders and the Master Developer pays down related amounts) and guaranteed by the members of the Master Developer and affiliates of the members. The lien of the Special Taxes is senior in priority to the lien of the deed of trust securing the Line of Credit. The Master Developer is currently seeking to increase the amount available under the Line of Credit above the $50 million balance available after January 15, 2005.

Current Ownership by the Master Developer. In November 2003, the Master Developer sold all of the residential lots in Phase 2 to the Merchant Builders. All of the property in Phases 3-5 of the Community Facilities District is owned by the Master Developer, although the Master Developer is in contract to sell the residential lots in Phase 4 to the Merchant Builders (or affiliates of the Merchant Builders). Consequently, the Master Developer owns the following property in the Community Facilities District:

Phase	Villages	Approx. Acres (1)
2	20-25	0 (2)
3	26-31	169
4	32-39	212 (3)
5	40-49	232

(1) Gross developable acres. Excludes 1,223 acres of open space.
(2) All of the property in Phase 2 was transferred to the Merchant Builders in November 2003.
(3) The Master Developer is in contract to sell finished lots and superpads in Phase 4 to the Merchant Builders (or affiliates of the Merchant Builders).

The Master Developer

The Master Developer is a limited liability company established in February 1998 as a joint venture for purposes of development of Windemere Ranch and is owned in equal shares by three homebuilding entities associated with the following three publicly-held companies: Lennar Corporation, Brookfield Homes Corporation and Centex Corporation.

The Board of Directors of the Master Developer is comprised of two officials from each entity and each entity holds an equal interest in the Master Developer and has equal votes with respect to the operation of the Master Developer. See "The Merchant Builders" below.

Responsibilities of the Master Developer

As master developer of Windemere Ranch, the Master Developer is responsible for the following:

- Arrange for final entitlements for development of Windemere Ranch (except building permits for residential units).
- Complete mitigation measures required under the permits issued by the Army Corps of Engineers, the Regional Water Quality Control Board, U.S. Fish and Wildlife Service, and the California Department of Fish and Game.
- Develop infrastructure improvements and finished residential lots and superpads for sale to the Merchant Builders.
- Develop the elements of the Project to be financed with proceeds of the Bonds.
- Develop the following improvements in the Community Facilities District (the improvements will be dedicated to the public entities identified in the table):

Improvement	Phase	Estimated Construction Commencement	Estimated Construction Completion	Land Area (Acres)	Expected Owner
Parks	3	2007	2008	4.1	City
Parks	4	2005	2006	16.5	City
Parks	5	2006	2007	13.6	City
High School	3	2005	2007	43.0	School District
Elementary School	4	2007	2008	10.0	School District
Middle School	4	2004	2005	20.0	School District

The Master Developer expects to finance its activities in the Community Facilities District with the Line of Credit, equity contributions from its members, proceeds of the Bonds and proceeds of sales of property to the Merchant Builders (and their affiliates).

Property Sales to the Merchant Builders

Phase 2. In November 2003, the Master Developer sold finished residential lots in Phase 2 to the Merchant Builders.

Phase 4. The Master Developer and the Merchant Builders (or affiliates of the Merchant Builders) are in contract for the sale of additional residential lots in Phase 4 (with escrow expected to close in November 2004) as set forth in the following table. Each of the purchasers has provided the Master Developer with a letter of credit in the amount of 5-10 percent of the purchase price to secure its obligation to purchase the residential lots. The purchase price for Villages 32-37 is subject to re-evaluation 45 days prior to the close of escrow based on market conditions (the price may increase but may not decrease); the purchase price of Villages 38 and 39 is not subject to re-evaluation. As a condition to sale, the Master Developer is obligated to develop the lots to finished lot condition (except for Villages 38 and 39, which must be developed to superpad condition) and to record final subdivision maps. The Master Developer notes that because certain conditions remain to be satisfied before the sale of Phase 4 lots will close escrow, it cannot be guaranteed that the sales will occur. Set forth below is a list of the Phase 4 proposed units and Villages subject to purchase contracts between the Master Developer and the Merchant Builders:

Merchant Builder	Villages	Number of Residential Units
Centex Homes	32,33,38	341 (1)
Brookfield Bay Area Holdings LLC	34,35	172
Greystone Homes, Inc.	36,37,39	245
Total		758

(1) Includes 141 townhome units.

Phases 3 and 5. The Master Developer is not currently in contract to sell single-family residential lots in Phases 3 and 5, although it generally expects to develop finished lots in Phases 3 and 5 and to sell them to the Merchant Builders (Village 27 will be sold as superpads). Village 26 of Phase 3 is intended for development as a 293-unit affordable multifamily project; the Master Developer anticipates selling Village 26 as a "superpad" to an affordable housing developer not affiliated with the Merchant Builders. The affordable multifamily project will be exempt from the Special Taxes under the Rate and Method.

The Master Developer and the Merchant Builders expect ownership of the parcels within the Community Facilities District to change subsequent to issuance of the Bonds, and they expect a significant portion of the property in the Community Facilities District to be sold to homeowners over a period of several years. The Special Taxes are not personal obligations of the current owners of the property in the Community Facilities District or of any subsequent landowners; the Bonds are secured solely by the Special Taxes, foreclosure proceeds in the event of Special Tax delinquencies, and other amounts on deposit with the Trustee. No assurance can be given that the Merchant Builders will acquire additional land within the Community Facilities District. See "SECURITY FOR THE BONDS" and "BONDOWNERS' RISKS" herein.

The Merchant Builders

Set forth below is general information about each of the Merchant Builders and their development plans in the Community Facilities District. The following section ("Proposed Residential Development Within the Community Facilities District") provides more detailed information about the development plans of the Merchant Builders.

Brookfield Savoy LLC, Brookfield Carlyle LLC and Brookfield Bay Area Holdings LLC (or affiliate)

Brookfield Savoy LLC and Brookfield Carlyle LLC own property in Phase 2 of the Community Facilities District that they expect to develop with single-family homes and sell to end-users. Brookfield Bay Area Holdings LLC is in contract to purchase property in Phase 4 of the Community Facilities District; Brookfield Bay Area Holdings LLC expects to assign this purchase contract to an affiliated entity, which will acquire the property, develop the property with single-family homes and sell the homes to end-users. Brookfield Bay Area Holdings LLC, a Delaware limited liability company holds a one-third interest in the Master Developer. Brookfield Bay Area Holdings LLC, Brookfield Savoy, and Brookfield Carlyle are all affiliates of Brookfield Homes Corporation, a publicly-traded corporation.

In fiscal year 2003, Brookfield Homes Corporation's first year as a publicly-traded company, it had net income (including contributions from bulk land sales) of $88 million, and closed on more than 1,528 new homes at an average sales price of $535,000.

Brookfield Homes Corporation's website address is www.brookfieldhomes.com. *The website address is given for reference and convenience only, the information on the website may be incomplete or inaccurate and has not been reviewed by the Issuer or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.*

Centex Homes

Centex Homes, a Nevada general partnership ("**Centex Homes**"), holds a one-third interest in the Master Developer and owns property in Phase 2 of the Community Facilities District that it intends to develop with single-family homes and sell to end-users. Centex Homes is also in contract to purchase property in Phase 4 of the Community Facilities District that it intends to develop with single-family homes and townhomes and sell to end-users.

Centex Homes is, indirectly, a wholly-owned subsidiary of Centex Corporation. The primary businesses of Centex Corporation are its homebuilding, financial services, contracting and construction services operations, which it operates through subsidiaries. Centex Corporation's fiscal year 2003 net earnings were approximately $556 million. During fiscal year 2003, Centex Homes closed 26,400 homes.

Centex Corporation's website address is www.centex.com. *The website address is given for reference and convenience only, the information on the website may be incomplete or inaccurate and has not been reviewed by the Issuer or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference*.

Greystone Homes.

Greystone Homes, Inc., a Delaware corporation ("**Greystone Homes**"), owns property in Phase 2 of the Community Facilities District that it expects to develop as single-family homes and sell to end-users. Greystone Homes is also in contract to buy property in Phase 4 of the Community Facilities District that it expects to develop as single-family homes and sell to end-users.

Greystone Homes is controlled by Lennar Corporation ("**Lennar Corporation**"), a national homebuilding company. LEN-OBS Windemere LLC owns a one-third interest in the Master Developer; LEN-OBS Windemere LLC also is ultimately affiliated with Lennar Corporation.

Lennar Corporation is one of the largest homebuilders in the United States, with operations in the eastern United States (Florida, Maryland, Virginia, New Jersey, North Carolina, and South Carolina), the central United States (Texas, Illinois and Minnesota) and the western United States (Arizona, Colorado, Nevada and California). According to its Form 10-K for fiscal year 2003, Lennar Corporation (including its affiliates and unconsolidated partnerships) delivered 32,180 new homes in fiscal year 2003 to market segments including first-time homebuyers, move-up homebuyers and active adults. Also according to its fiscal year 2003 Form 10-K, Lennar Corporation earned net revenues for fiscal year 2003 of $751.4 million. In November 2000, Lennar transferred its interest in the Master Developer to LEN OBS-Windemere, LLC.

Lennar Corporation's website address is www.lennar.com. *The website address is given for reference and convenience only, the information on the website may be incomplete or inaccurate and has not been reviewed by the Issuer or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference*.

History of Property Tax Payments; Loan Defaults; Bankruptcy. An authorized representative of each of the Master Developer and the Merchant Builders has represented to the Issuer that, to the actual knowledge of such representative, with respect to the entity that he or she represents:

- Except as disclosed in "CONTINUING DISCLOSURE" above, the subject entity has never defaulted to any material extent in the payment of special taxes or assessments in connection with the Community Facilities District or any other community facilities districts or assessment districts in California within the past five years.

• The subject entity is not currently in default on any loans, lines of credit or other obligation, the result of which could materially adversely affect the development of the subject entity's property in the Community Facilities District.

• The subject entity is solvent and no proceedings are pending or, to the representative's actual knowledge, threatened in which the entity may be adjudicated as bankrupt or become the debtor in a bankruptcy proceeding, or discharged from all of the entity's debts or obligations, or granted an extension of time to pay the entity's debts or a reorganization or readjustment of the entity's debts.

• There is no litigation or administrative proceeding of any nature in which the subject entity has been served, or is pending or threatened which, if successful, would materially adversely affect the entity's ability to complete the development and sale of the entity's property within the Community Facilities District, or to pay the Special Taxes, the special benefit assessments or ordinary ad valorem property tax obligations when due on the entity's property within the Community Facilities District, or which challenges or questions the validity or enforceability of the Bonds, the Resolution of Issuance, the Indenture, or the Property Owner Continuing Disclosure Certificate.

Proposed Residential Development within the Community Facilities District

Developable Acreage. The entire Windemere Ranch project consists of 2,320 acres, of which 1,951 acres lie within the Community Facilities District. It is currently anticipated that 728 acres in the Community Facilities District will be developed for residential use and 1,223 will be set aside for open space.

Residential Development. Property in the Community Facilities District, which consists of Phases 2-5 of the Windemere Ranch development, is currently proposed to be built in the following phases and with the following residential units:

Unit Type	Phase 2 Units	Phase 3 Units	Phase 4 Units	Phase 5 Units	Total Units
Single Family Detached	448	384	617	876	2,325
Single Family Attached	0	179	141	0	320
Multi-Family	0	293 (1)	0	0	293
Total	448	856	758	876	2,938

(1) The 293 affordable multi-family units proposed for development in Phase 3 are exempt from the Special Tax and not subject to foreclosure in the event of delinquencies in the payment of Special Taxes with respect to other property in the Community Facilities District. As a result, the Appraiser did not include in the Appraisal Report the value of the property intended for development with the affordable multi-family units.

Phase 2: There are 448 detached single-family lots in Phase 2. Site development (backbone and in-tract improvements) have been completed.

Phase 3: There are 384 proposed single-family lots in Phase 3, plus 179 proposed market-rate condominiums and 293 proposed multi-family residential units. The 293 multi-family units are restricted to occupancy by very-low income (29 units), low-income (73 units) and moderate-income tenants (191 units), and are exempt from Special Taxes pursuant to the Rate and Method. Phase 3 includes a high school site and several interior parks. Phase 3 has been rough-graded, with finished lots expected to be delivered after Phase 4 and Phase 5A. The Master Developer expects to deliver finished lots to merchant builders in December 2006.

Phase 4: There are 617 detached single-family lots in Phase 4, plus a townhouse site planned for 141 units. In addition, Phase 4 will include an elementary school, a middle school and several interior parks. Phase 4 has been rough-graded; the Master Developer expects finished lots to be delivered to the Merchant Builders in November 2004.

Phase 5: Phase 5 includes 876 proposed detached single-family lots. Phase 5 is divided into two sub-phases: Subphase 5A includes 601 proposed lots (the Master Developer expects to deliver finished lots in Subphase 5A in November 2005) and Phase 5B includes 275 proposed lots (the Master Developer expects to deliver finished lots in Subphase 5B in November 2007).

The Dougherty Valley Specific Plan requires development of 25 percent of all dwelling units in Windemere Ranch as affordable to low-, very-low- and moderate-income households. The Master Developer expects the 293 multi-family units proposed for development in Phase 3 (which are exempt from Special Taxes) and the 1,000 multi-family units proposed for development in Phase 1B (which are outside of the Community Facilities District) to satisfy this requirement.

The following tables and accompanying text offer more detailed information about the nature of, and proposed timetable for, residential development in Phases 2 and 4 of Windemere Ranch; no such information is available for Phases 3 and 5.

Greystone Homes. Greystone currently owns 158 single-family lots in Phase 2 and expects to own an additional 245 single-family lots in Phase 4 by the end of calendar year 2004. Greystone currently projects carrying out home construction on the proposed schedule and in the proposed configurations set forth below. *These are projections and subject to change by Greystone at any time.* Greystone is financing construction of homes in the Community Facilities District with internal sources of financing.

Greystone Homes
Projected Phase 2 Development and Sales

Village Number	No. of Units	Approx. Square Footage	No of Plan Types	Proposed Sales Price Range	Begin Home Constr.	Open Model Homes	Anticipated First Escrow Closing	Anticipated Final Escrow Closing
21	55	2,422-2,548	2	$750,000-790,000	May 2004	July 2004	September 2004	April 2005
25	103	3,413-4,148	3	$950,000-1,000,000	May 2004	July 2004	September 2004	May 2006
Total	158							

As of May 1, 2004, model homes were under construction, 14 homes were under construction in Village 21, and 12 homes were under construction in Village 25.

Projected Phase 4 Development and Sales

Village Number	No. of Units	Approx. Square Footage	No of Plan Types	Proposed Sales Price Range	Begin Home Constr.	Open Model Homes	Anticipated First Escrow Closing	Anticipated Final Escrow Closing
36	79	3,100-3,700	3	Not available	December 2004	April 2005	May 2005	December 2005
37	75	3,800-4,200	3	Not available	December 2004	April 2005	May 2005	March 2006
39	91	1,600-2,000	3	Not available	December 2004	April 2005	August 2005	July 2006
Total	245							

Centex Homes. Centex Homes currently owns 153 single-family lots in Phase 2 and expects to own property for development of an additional 341 units in Phase 4 (including 141 townhomes) by the end of calendar year 2004. Centex Homes anticipates home construction on the proposed schedule and in the proposed configurations set forth below. *These are projections and subject to change by Centex Homes at any time.* Centex Homes anticipates financing its development activities in the Community Facilities District with internal sources of funds.

Centex Homes
Projected Phase 2 Development and Sales

Village Number	No. of Units	Approx. Square Footage	No of Plan Types	Proposed Sales Price Range	Begin Home Constr.	Open Model Homes	Anticipated First Escrow Closing	Anticipated Final Escrow Closing
20	76	2,259-2,490	3	$695,000-725,000	December 2003	April 2004	May 2004	April 2005
23	77	3,300-3,750	3	$834,000-876,000	December 2003	June 2004	September 2004	January 2006
Total	153							

As of May 1, 2004, model homes had been completed and were open and 33 other homes were under construction in Village 20. In Village 23, the model homes and 12 other homes were under construction.

Centex Homes
Projected Phase 4 Development and Sales

Village Number	No. of Units	Approx. Square Footage	No of Plan Types	Proposed Sales Price Range	Begin Home Constr.	Open Model Homes	Anticipated First Escrow Closing	Anticipated Final Escrow Closing
32	103	2,200-2,600	3	Not available	December 2004	May 2005	May 2005	March 2006
33	97	2,300-2,700	3	Not available	December 2004	May 2005	May 2005	June 2006
38	141	2,000-2,400	3	Not available	April 2005	November 2005	January 2006	January 2008
Total	341							

Brookfield Entities. Brookfield Carlyle currently owns 69 single-family lots in Phase 2. Brookfield Carlyle anticipates home construction on the proposed schedule and in the proposed configurations set forth below. *These are projections and subject to change by Brookfield Carlyle.* Brookfield Carlyle is financing its development activities in the Community Facilities District with three loans from Union Bank (an acquisition and development loan, a model home loan and a construction loan) and existing equity. As of May 1, 2004, the aggregate outstanding balance of the three loans was $21,265,876.

Brookfield Carlyle
Projected Phase 2 Development and Sales

Village Number	No. of Units	Approx. Square Footage	No of Plan Types	Proposed Sales Price Range	Begin Home Constr.	Open Model Homes	Anticipated First Escrow Closing	Anticipated Final Escrow Closing
22	69	2,923-3,212	3	$793,000-830,000	January 2004	May 2004	August 2004	June 2005

As of May 1, 2004, model homes were nearing completion and construction had begun on 25 other homes.

Brookfield Savoy currently owns 68 single-family lots in Phase 2. Brookfield Savoy anticipates home construction on the proposed schedule and in the proposed configurations set forth below. *These are projections and subject to change by Brookfield Savoy at any time.* Brookfield Savoy is financing its development activities in the Community Facilities District with a loan from Wells Fargo Bank secured by a deed of trust on its property in the Community Facilities District as well as existing equity. As of May 1, 2004, the outstanding balance on Brookfield Savoy's acquisition loan was $14,578,632.

Brookfield Savoy
Projected Phase 2 Development and Sales

Village Number	No. of Units	Approx. Square Footage	No of Plan Types	Proposed Sales Price Range	Begin Home Constr.	Open Model Homes	Anticipated First Escrow Closing	Anticipated Final Escrow Closing
24	68	3,465-3,815	3	$920,000-960,000	November 2003	April 2004	June 2004	June 2005

As of May 1, 2004, model homes were completely built and construction had begun on 35 other homes.

Brookfield Bay Area Holdings LLC is in contract with the Master Developer to purchase 172 single-family lots in Phase 4, with escrow expected to close by the end of calendar year 2004; Brookfield Bay Area Holdings LLC expects to assign the purchase contract to an affiliated entity. Brookfield Bay Area Holdings LLC anticipates home construction on the proposed schedule and in the proposed configurations set forth below. *These are projections and subject to change by Brookfield Bay Area Holdings LLC at any time.* Brookfield Bay Area Holdings LLC has not identified a financing source for the cost of acquisition of the single-family lots or its development activities in Phase 4.

Brookfield Bay Area Holdings LLC
Projected Phase 4 Development and Sales

Village Number	No. of Units	Approx. Square Footage	No of Plan Types	Proposed Sales Price Range	Begin Home Constr.	Open Model Homes	Anticipated First Escrow Closing	Anticipated Final Escrow Closing
34	94	2,600-3,200	4	Not available	December 2004	May 2005	July 2005	January 2007
35	78	3,300-3,900	3	Not available	December 2004	May 2005	July 2005	October 2006
Total	172							

Infrastructure Development

General. As of May 10, 2004, the Master Developer reported the following status of infrastructure development in the Community Facilities District:

Phase 2: Complete.

Phase 3: Rough grading was 90 percent complete.

Phase 4: Rough grading was complete, and finish grading and installation of underground improvements were in-process.

Phase 5: Rough grading was in-process.

See "THE COMMUNITY FACILITIES DISTRICT - Appraised Property Value" for information about assumptions made by the Appraiser with respect to costs to complete infrastructure development.

Access. Windemere Ranch is planned to have three main access points:

- Bollinger Canyon Road provides two access points as it intersects with I-680 to the west and connects to Dougherty Road to the south, which connects to I-580.

- Construction of the extension of Bollinger Canyon Road from the City of San Ramon was recently completed to Dougherty Road and provides access to destinations west of Windemere Ranch.

- Eastern ingress and egress will be furnished by Windemere Parkway which will intersect with Camino Tassajara, which has an interchange at I-580. The Windemere Parkway connection to Camino Tassajara is estimated to be completed in calendar year 2006.

In addition to providing efficient internal circulation, these arteries will furnish three access points to the regional freeway system.

Utilities

Utility service for property in the Community Facilities District will be provided by the following:

- *Water*: DSRSD
- *Sewer*: CCCSD
- *Stormwater drainage*: Central Costa County Flood Control District
- *Electricity*: Pacific Gas & Electric
- *Natural Gas*: Pacific Gas & Electric

Phase 1 of Windemere Ranch

Phase 1 of Windemere Ranch is not in the Community Facilities District and is not subject to the Special Tax. **The following information about Phase 1 is included in this Official Statement solely to provide context for information in this Official Statement about the proposed development and marketing of the remaining phases in Windemere Ranch (Phases 2-5), which are in the Community Facilities District**.

Phase 1 is divided into Phase 1A and Phase 1B, as follows:

Phase 1A: Phase 1A includes 628 detached units, plus 160 townhomes and 142 condominium units. The single family lots were purchased by the following Merchant Builders as finished lots in December 2001 and, as of May 15, 2004, single family homes in Phase 1A had been built and sold as follows:

Village Reference	**# of Lots**	**# of Homes Built**	**# of Homes Closed Escrow**
10 – Centex	138	106 (1)	106
11 – Greystone	68	68	68
12 – Brookfield	46	25 (1)	25
13 - Greystone	115	110 (1)	110
15 – Greystone	96	96	96
18 – Centex	64	64	64
19 - Centex	101	101	101
Totals	**628**	**574**	**570**

(1) Does not include model homes that have been built.

The multifamily sites in Phase 1A were sold to the following developers as "superpads" and, as of May 15, 2004, multifamily units in Phase 1A had been built and sold as follows:

Village Reference	**Product Type**	**# of Lots**	**# of Units Built**	**# of Units Closed Escrow**
VC – Walk Ups - Brookfield	Townhouse Units - Market Rate	160	35	32
VC – Mansions - (Western Pacific Housing)	Condominium Units - Market Rate	142	130	90
TOTALS		**302**	**165**	**122**

Phase 1B: Phase 1B includes 302 detached units, as well as sites for 1,000 affordable multi-family units. The Merchant Builders purchased the single-family lots as finished lots in December 2002 and, as of May 15, 2004, single family homes in Phase 1B had been built and sold as follows:

Village Reference	# of Units	# of Units Built (1)	# of Units Closed Escrow
12 – Brookfield	17	17	17
14 – Greystone	107	88	86
16 – Brookfield	90	48	48
17/11 – Centex	88	32	32
Totals	**302**	**185**	**183**

(1) Does not include model homes that have been built.

The multifamily sites in Phase 1B have been sold to FF Realty, LLC; as of May 15, 2004, FF Realty, LLC had been issued building permits for construction of all of the proposed units:

Developer	Purchase Date	Product Type	# of Proposed Units	# of Building Permits Issued
FF Realty, LLC	June 2003	Apartments	350 (1)	350
FF Realty, LLC	Nov 2002	Apartments	650 (2)	650
TOTALS			**1,000**	**1,000**

(1) Restricted to very-low income (100 units) and low-income (250 units) occupancy.
(2) Restricted to moderate-income occupancy.

BOND OWNERS' RISKS

The purchase of the Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks which should be considered before making an investment decision, in no particular order of importance.

Limited Obligation of the Issuer to Pay Debt Service

The Issuer has no obligation to pay principal of and interest on the Bonds if Special Tax collections are delinquent, other than from amounts, if any, on deposit in the Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels for Special Tax delinquencies. The Issuer is not obligated to advance its own funds to pay debt service on the Bonds.

Levy and Collection of the Special Tax

The principal source of payment of principal of and interest on the Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the Community Facilities District. The annual levy of the Special Tax is subject to the Maximum Special Tax authorized in the Rate and Method. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds.

Because the Special Tax formula set forth in the Rate and Method is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular parcels of Taxable Property and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of Taxable Property and their proportionate share of debt service on the Bonds, and certainly not a direct relationship.

The following are some of the factors that might cause the levy of the Special Tax on any particular parcel of Taxable Property to vary from the Special Tax that might otherwise be expected:

- Reduction in the number of parcels of Taxable Property for such reasons as acquisition of Taxable Property by a governmental entity and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels.

- Failure of the owners of Taxable Property to pay the Special Tax and delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels.

- Development of a parcel of Taxable Property more rapidly than development of other parcels of Taxable Property, thereby resulting in the application of development factors in the Special Tax formula to the parcel and resulting in an increased tax burden on the parcel of Taxable Property than if other parcels in the Community Facilities District were subject to application of development factors.

• Development of other parcels of Taxable Property less rapidly than expected, thereby resulting in delay in application of development factors in the Special Tax formula to the other parcels of Taxable Property and resulting in an increased tax burden on the parcel of Taxable Property.

Except as set forth above under "SECURITY FOR THE BONDS – Special Taxes" and " – Rate and Method," the Indenture provides that the Special Tax is to be collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure described in "SECURITY FOR THE BONDS – Covenant to Foreclose" and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary ad valorem property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the Issuer of the proceeds of sale if the Reserve Fund is depleted. See "SECURITY FOR THE BONDS – Covenant to Foreclose."

Payment of Special Tax is not a Personal Obligation of Property Owners

An owner of Taxable Property is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation only against the parcels of Taxable Property. If, after a default in the payment of the Special Tax and a foreclosure sale by the Issuer, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the parcels of Taxable Property, the Community Facilities District has no recourse against the owner.

Appraised Values

The Appraisal summarized in APPENDIX C estimates the market value of the taxable property within the Community Facilities District. This market value is merely the present opinion of the Appraiser, and is subject to the assumptions and limiting conditions stated in the Appraisal. The Issuer has not sought the present opinion of any other appraiser of the value of the taxed parcels. A different present opinion of value might be rendered by a different appraiser.

The opinion of value relates to sale by a willing seller to a willing buyer, each having similar information and neither being forced by other circumstances to sell or to buy. Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

In addition, the opinion is a present opinion, based upon present facts and circumstances. Differing facts and circumstances may lead to differing opinions of value. The appraised value is not evidence of future value because future facts and circumstances may differ significantly from the present.

No assurance can be given that any of the Taxable Property in the Community Facilities District could be sold for the estimated market value contained in the Appraisal if that property should become delinquent in the payment of Special Taxes and be foreclosed upon.

Property Values and Property Development

The value of Taxable Property within the Community Facilities District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the

Special Tax, the Issuer's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land development and land values could be adversely affected by economic and other factors beyond the Issuer's control, such as a general economic downturn, adverse judgments in future litigation that could affect the scope, timing or viability of development, relocation of employers out of the area, stricter land use regulations, shortages of water, electricity, natural gas or other utilities, destruction of property caused by earthquake, flood or other natural disasters, environmental pollution or contamination, or unfavorable economic conditions.

Neither the Underwriter, the Issuer nor ABAG has evaluated development risks. Since these are largely business risks of the type that property owners customarily evaluate individually, and inasmuch as changes in land ownership may well mean changes in the evaluation with respect to any particular parcel, the Issuer is issuing the Bonds without regard to any such evaluation. Thus, the creation of the Community Facilities District and the issuance of the Bonds in no way implies that the Underwriter, the Issuer or ABAG has evaluated these risks or the reasonableness of these risks.

The following is a discussion of specific risk factors that could affect the timing or scope of property development in the Community Facilities District or the value of property in the Community Facilities District.

Land Development. Land values are influenced by the level of development in the area in many respects.

First, undeveloped or partially developed land is generally less valuable than developed land and provides less security to the owners of the Bonds should it be necessary for the Issuer to foreclose on undeveloped or partially developed property due to the nonpayment of Special Taxes.

Second, failure to complete development on a timely basis could adversely affect the land values of those parcels that have been completed. Lower land values would result in less security for the payment of principal of and interest on the Bonds and lower proceeds from any foreclosure sale necessitated by delinquencies in the payment of the Special Tax. See "THE COMMUNITY FACILITIES DISTRICT – Appraised Value to Burden Ratios." No assurance can be given that the proposed development within the Community Facilities District will be completed, and in assessing the investment quality of the Bonds, prospective purchasers should evaluate the risks of noncompletion.

Risks of Real Estate Investment Generally. Continuing development of land within the Community Facilities District may be adversely affected by changes in general or local economic conditions, fluctuations in or a deterioration of the real estate market, increased construction costs, development, financing and marketing capabilities of individual property owners, water or electricity shortages, and other similar factors. Development in the Community Facilities District may also be affected by development in surrounding areas, which may compete with the development in the Community Facilities District. In addition, land development operations are subject to comprehensive federal, state and local regulations, including environmental, land use, zoning and building requirements. There can be no assurance that proposed land development operations within the Community Facilities District will not be adversely affected by future government policies, including, but not limited to, governmental policies to restrict or control development, or future growth control initiatives. There can be no assurance that land development operations within the Community Facilities District will not be adversely affected by these risks.

Natural Disasters. The value of the Taxable Property in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the Taxable Property and the continued habitability and enjoyment of such private improvements. The areas in and surrounding the Community Facilities District, like those in much of California, may be subject to unpredictable seismic activity. See "PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT – Environmental Conditions."

Other natural disasters could include, without limitation, landslides, floods, droughts or wildfires. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the Taxable Property may well depreciate or disappear.

Legal Requirements. Other events that may affect the value of Taxable Property include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures.

Hazardous Substances. One of the most serious risks in terms of the potential reduction in the value of Taxable Property is a claim with regard to a hazardous substance. In general, the owners and operators of Taxable Property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the Taxable Property be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The appraised values set forth in this Official Statement do not take into account the possible reduction in marketability and value of any of the Taxable Property by reason of the possible liability of the owner or operator for the remedy of a hazardous substance condition of the parcel. Although the Issuer is not aware that the owner or operator of any of the Taxable Property has such a current liability with respect to any of the Taxable Property, it is possible that such liabilities do currently exist and that the Issuer is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the Taxable Property resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but that has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but that may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of Taxable Property that is realizable upon a delinquency. See "PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT – Environmental Conditions."

Endangered and Threatened Species. It is illegal to harm or disturb any plants or animals in their habitat that have been listed as endangered species by the United States Fish & Wildlife Service under the Federal Endangered Species Act or by the California Fish & Game Commission under the California Endangered Species Act without a permit. As described above, the Master Developer has obtained an incidental take permit from the U.S. Fish and Wildlife Service allowing for incidental take of the two federally-listed species potentially affected by the development, the San Joaquin kit fox and the California red-legged frog, and has entered into Lake and Streambed Alteration Agreements with the California Department of Fish and Game, allowing for unavoidable impacts to aquatic species. Although the Master Developer believes that no additional federally or state listed endangered or threatened species would be affected by the proposed development within the Community Facilities District, the discovery of an endangered plant or animal could delay development of vacant property in the Community Facilities District or reduce the value of undeveloped property. See "PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT – Environmental Conditions."

Concentration of Property Ownership

As of the date of issuance of the Bonds, the Master Developer and the Merchant Builders own substantially all of the Taxable Property in the Community Facilities District, and the Master Developer and the Merchant Builders are affiliated entities.

Failure of the Master Developer or the Merchant Builders to pay installments of the Special Tax when due could result in the depletion of the Reserve Fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax and, consequently, an insufficiency of Special Tax proceeds to meet obligations under the Indenture. In that event, there could be a delay or failure in payments of the principal of and interest on the Bonds.

Other Possible Claims Upon the Value of Taxable Property

While the Special Taxes are secured by the Taxable Property, the security only extends to the value of such Taxable Property that is not subject to senior, priority and parity liens and similar claims.

The section entitled "THE COMMUNITY FACILITIES DISTRICT – Overlapping Taxes, Charges and Assessments" discusses certain overlapping assessments.

Other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels of Taxable Property and may be secured by a lien on a parity with the lien of the Special Tax securing the Bonds.

In general, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the Bonds, the Special Tax would usually be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes would generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See "– Bankruptcy and Foreclosure Delays" below.

However, it should be particularly noted that in the event of a delinquency in payment of Special Taxes levied on any parcel in the District, and if action is initiated by or on behalf of the Issuer to collect such delinquency, the Issuer and the Community Facilities District expressly agree in the Indenture to subordinate the obligation of any such parcel to pay Special Taxes to any obligation of such parcel in respect of assessments levied or to be levied thereon for the Assessment District (as defined in "THE COMMUNITY FACILITIES DISTRICT - Overlapping Taxes, Charges and Assessments") with the purpose and effect as follows:

(a) any amount collected in respect of any action taken to collect the delinquent Special Taxes on a parcel shall first be used to satisfy any delinquent assessment or reassessment lien of the Assessment District with respect to such parcel (to the extent such Assessment District delinquency is not otherwise satisfied in connection with actions to collect the same);

(b) to the extent required to effect a foreclosure sale of any parcel with delinquent Special Taxes and delinquent assessments or reassessments levied by the Assessment District, first the delinquent Special Taxes shall be reduced and forgiven as necessary to effect such sale, and, if a sale of the parcel subject to delinquent assessments and reassessments cannot be sold if all delinquent Special Taxes have been reduced and forgiven, the future Special Tax levy on such parcel may be permanently reduced and discharged (such reduction and discharge to be deemed to be a prepayment of Special Taxes for such parcel under the Rate and Method) to the extent, and only to the extent, necessary to allow such sale to occur and

(i) the parcel shall remain subject to the remaining assessment or reassessment lien of the Assessment District not yet due and payable, and

(ii) proceeds of such sale, if any, shall be used to pay the delinquent assessments or reassessments levied by the Assessment District.

Pursuant to the foregoing, to the extent necessary to collect delinquent assessments and reassessments levied by the Assessment District on a parcel:

First: delinquent Special Taxes on such parcel shall be reduced and discharged, and then

Second: future Special Taxes on such parcel shall be reduced and discharged, as necessary to allow for collection of delinquent assessments and reassessments levied by the Assessment District with the parcel subject to all future assessments and reassessments of the Assessment District encumbering such parcel.

In connection with the foregoing, (i) delinquencies shall include all statutory interest and penalties associated therewith, and (ii) the foregoing shall not in any way prohibit the reduction of assessment or reassessment delinquencies or encumbrances on a parcel by or on behalf of the Assessment District if necessary (in the judgment of the administrator of the Assessment District or otherwise by proceedings in accordance with applicable law), following the reduction and discharge of all delinquent and future Special Taxes in respect of such parcel, to collect as much as possible of the delinquent and future assessments or reassessments on such parcel by the Assessment District.

Exempt Properties

Certain properties are exempt from the Special Tax in accordance with the Rate and Method and the Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the Community Facilities District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. See "SECURITY FOR THE BONDS – Rate and Method." In addition, although the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax. See also "SECURITY FOR THE BONDS - Covenant to Foreclose".

The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

Depletion of Reserve Fund

The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement. See "SECURITY FOR THE BONDS – Reserve Fund." Funds in the Reserve Fund may be used to pay principal of and interest on the Bonds if insufficient funds are available from the proceeds of the levy and collection of the Special Tax against property within the Community Facilities District. If funds in the Reserve Fund for the Bonds are depleted, the funds can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay all amounts to be paid to the Bond holders pursuant to the Indenture. However, no replenishment from the proceeds of a Special Tax levy can occur as long as the proceeds that are collected from the levy of the Special Tax against property within the Community Facilities District at the maximum Special Tax rates, together with other available funds, remains insufficient to pay all such amounts. Thus it is possible that the Reserve Fund will be depleted and not be replenished by the levy of the Special Tax.

Bankruptcy and Foreclosure Delays

Bankruptcy. The payment of the Special Tax and the ability of the Issuer to foreclose the lien of a delinquent unpaid tax, as discussed in "SECURITY FOR THE BONDS," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or any other person claiming an interest in Taxable Property, could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds. To the extent that property in the Community Facilities District continues to be owned by a limited number of property owners, the chances are increased that the Reserve Fund established for the Bonds could be fully depleted during any such delay in obtaining payment of delinquent Special Taxes. As a result, sufficient moneys would not be available in the Reserve Fund for transfer to the Bond Fund to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Bonds on a timely basis.

Glasply Marine Industries. On July 30, 1992 the United States Court of Appeals for the Ninth Circuit issued an opinion in a bankruptcy case entitled *In re Glasply Marine Industries*, holding that ad valorem property taxes levied by a county in the State of Washington after the date that the property owner filed a petition for bankruptcy would not be entitled to priority over the claims of a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed subsequent to the filing of the bankruptcy petition were declared to be "administrative expenses" of the bankruptcy estate, payable after the claims of all secured creditors. As a result, the secured creditor was able to foreclose on the subject property and retain all the proceeds from the sale thereof except the amount of the pre-petition taxes. Pursuant to this holding, post-petition taxes would be paid only as administrative expenses and only if a bankruptcy estate has sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise) it would be subject only to current ad valorem taxes (i.e., not those accruing during the bankruptcy proceeding).

The *Glasply* decision is controlling precedent in bankruptcy court in the State of California. If *Glasply* were held to be applicable to Special Taxes, a bankruptcy petition filing would prevent the lien for Special Taxes levied in subsequent fiscal years from attaching so long as the property was part of the estate in bankruptcy, which could reduce the amount of Special Taxes available to pay debt service on the Bonds. However, *Glasply* speaks as to ad valorem property taxes, and not special taxes, and no case law exists with respect to how a bankruptcy court would treat the lien for special taxes levied after the filing of a petition in bankruptcy.

It should also be noted that on October 22, 1994, Congress enacted 11 U.S.C. § 362(b)(18), which added a new exception to the automatic stay for ad valorem property taxes imposed by a political subdivision after the filing of a bankruptcy petition. Under this law, if a bankruptcy petition is filed on or after October 22, 1994, the lien for ad valorem property taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bond owners should be aware that the potential effect of 11 U.S.C. § 362(b)(18) on the Special Taxes also depends upon whether a court were to determine that the Special Taxes should be treated like ad valorem property taxes for this purpose.

Property Owned by FDIC. In addition, the ability of the Issuer to foreclose upon the lien on property for delinquent Special Taxes may be limited for properties in which the Federal Deposit Insurance Corporation (the "**FDIC**") has an interest. On November 26, 1996, the FDIC adopted a Statement of Policy Regarding the Payment of State and Local Property Taxes (the "**Policy Statement**") (which superseded a prior statement issued by the FDIC and the Resolution Trust Corporation in 1991). The Policy Statement applies to the FDIC when it is liquidating assets in its corporate and receivership capacities. The Policy Statement provides, in part, that real property of the FDIC is subject to state and local real property taxes if those taxes are assessed according to the property's value, and that the FDIC is immune from ad valorem real property taxes assessed on other bases. The Policy Statement also provides that the FDIC will pay its proper tax obligations when they become due and will pay claims for delinquencies as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC interest in the property is appropriate. It further provides that the FDIC will pay claims for interest on delinquent property taxes owned at the rate provided under state law, but only to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay for any fines or penalties and will not pay nor recognize liens for such amounts. The Policy Statement also provides that if any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. No property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, a lien for taxes and interest may attach, but the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

With respect to challenges to assessments, the Policy Statement provides: "The [FDIC] is only liable for state and local taxes which are based on the value of the property during the period for which the tax is imposed, notwithstanding the failure of any person, including prior record owners, to challenge an assessment under the procedures available under state law. In the exercise of its business judgment, the [FDIC] may challenge assessments which do not conform with the statutory provisions, and during the challenge may pay tax claims based on the assessment level deemed appropriate, provided such payment will not prejudice the challenge. The [FDIC] will generally limit challenges to the current and immediately preceding taxable year and to the pursuit of previously filed tax protests. However, the [FDIC] may, in the exercise of its business judgment, challenge any prior taxes and assessments provided that (1) the [FDIC's] records (including appraisals, offers or bids received for the purchase of the property, etc.) indicate that the assessed value is clearly excessive, (2) a successful challenge will result in a substantial savings to the [FDIC], (3) the challenge will not unduly delay the sale of the property, and (4) there is a reasonable likelihood of a successful challenge."

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee simple interest unless the amount of tax is fixed at the time the FDIC acquires its fee simple interest in the property, nor will the FDIC recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Because the Special Taxes are neither ad valorem taxes nor special assessments, and because they are levied under a special tax formula under which the amount of the Special Tax is determined each year, the Special Taxes appear to fall within the category of taxes the FDIC generally will not pay under the Policy Statement.

Following the County of Orange bankruptcy proceedings filed in December 1994, the FDIC filed claims against the County of Orange in the U.S. Bankruptcy Court and the Federal District Court which challenged special taxes that Orange County had levied on FDIC-owned property (and which the FDIC had paid) under the Act. The FDIC took a position similar to that outlined in the Policy Statement, to the effect that the FDIC, as a governmental entity, is exempt from special taxes under the Act. The Bankruptcy Court agreed, finding that the FDIC was not liable for post-receivership Mello-Roos taxes, and the Bankruptcy Appellate Panel affirmed. On appeal, the U.S. Court of Appeals for the Ninth Circuit, while not specifically asked to decide on the issue, stated in its decision filed on August 28, 2001, that "the FDIC, as a federal agency, is exempt from the Mello-Roos tax," and quoted Section 53340(c) of the Act in stating that "'properties or entities' of the federal government are exempt from the tax." The County of Orange did not appeal the decision.

The Issuer is unable to predict what effect the application of the Policy Statement would have in case of a Special Tax delinquency on a parcel in which the FDIC has an interest. However, prohibiting the judicial foreclosure sale of an FDIC-owned parcel would likely reduce the number of or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners of the Bonds should assume that the Issuer will be unable to foreclose on parcels of land in the Community Facilities

District owned by the FDIC. Such an outcome would cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment of the Bonds.

Disclosure to Future Purchasers

The Issuer has recorded a notice of the Special Tax lien in the Office of the Contra Costa County Recorder. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such special tax obligation in the purchase of a parcel of land or a home in the Community Facilities District or the lending of money secured by property in the Community Facilities District. The Act requires the subdivider of a subdivision (or its agent or representative) to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with these requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

No Acceleration Provisions

The Indenture does not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture. Under the Indenture, a Bond holder is given the right for the equal benefit and protection of all Bond holders similarly situated to pursue certain remedies, subject to the compliance with certain requirements. See “APPENDIX D – Summary of the Indenture.” So long as the Bonds are in book-entry form, DTC will be the sole Bond holder and will be entitled to exercise all rights and remedies of Bond holders.

Loss of Tax Exemption

As discussed under the caption “LEGAL MATTERS – Tax Matters,” interest on the Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the Issuer in violation of its covenants in the Indenture. The Indenture does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the Bonds were to be includable in gross income for purposes of federal income taxation, the Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to optional or mandatory redemption or redemption upon prepayment of the Special Tax. See “THE BONDS – Redemption.”

Voter Initiatives

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, the most recent of which was approved as Proposition 218 in the general election held on November 5, 1996.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the Issuer. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Bonds.

Proposition 218 (Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges - Initiative Constitutional Amendment) added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

The Special Taxes and the Bonds were each authorized by not less than a two-thirds vote of the landowners within the Community Facilities District who constituted the qualified electors at the time of such voted authorization. The Issuer believes, therefore, that issuance of the Bonds does not require the conduct of further proceedings under the Act or Proposition 218.

Like its antecedents, Proposition 218 is likely to undergo both judicial and legislative scrutiny before its impact on the Issuer, the Community Facilities District and the Bonds can be determined. Certain provisions of Proposition 218 may be examined by the courts for their constitutionality under both State and federal constitutional law, the outcome of which cannot by predicted.

LEGAL MATTERS

Legal Opinions

The legal opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, approving the validity of the Bonds will be made available to purchasers at the time of original delivery and is attached as APPENDIX H.

Nixon Peabody LLP will also pass upon certain legal matters for the Issuer as Special Counsel to the Issuer.

Jones Hall, A Professional Law Corporation, San Francisco, California is serving as Underwriter's Counsel.

See "PROFESSIONAL FEES" below.

Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted in the Indenture to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequence arising with respect to the Bonds other than as expressly described above. The complete text of the final opinion that Bond Counsel expects to delivery upon issuance of the Bonds is set forth in Appendix H

Absence of Material Litigation

The Issuer. To the best knowledge of the Issuer, there is no controversy of any nature now pending or threatened against the Issuer which seeks to restrain or enjoin the sale or issuance of the Bonds or which in any way contests or affects the validity of the Bonds or any proceedings of the Issuer taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Bonds, the use of the Bonds proceeds or the existence or powers of the Issuer relating to the issuance of the Bonds.

The Master Developer and the Merchant Builders. An authorized representative of each of the Master Developer and the Merchant Builders has represented to the Issuer that, to his or her actual knowledge, there is no litigation or administrative proceeding of any nature in which it has been served, or to his or her actual knowledge, is pending or threatened which, if successful, would materially adversely affect its ability to complete the development and sale of its property within the Community Facilities District, or to pay the Special Taxes, the special benefit assessments or ordinary ad valorem property tax obligations when due on its property within the Community Facilities District, or which challenges or questions the validity or enforceability of the Bonds, the Resolution of Issuance, the Indenture, or the Property Owner Continuing Disclosure Certificate.

NO RATINGS

The Bonds have not been rated by any securities rating agency.

UNDERWRITING

The Bonds are being purchased by Stone & Youngberg LLC at a purchase price of $29,445,050.10 (which represents the aggregate principal amount of the Bonds ($30,000,000.00) less an original issue discount of $234,549.90 and less an underwriter's discount of $320,400.00).

The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering price stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

PROFESSIONAL FEES

In connection with the issuance of the Bonds, fees payable to certain professionals are contingent upon the issuance and delivery of the Bonds. Those professionals include:

- the Underwriter;
- Quint & Thimmig LLP, as Bond Counsel;
- Nixon Peabody LLP, as Special Counsel to the Issuer;
- Jones Hall, A Professional Law Corporation, as Underwriter's Counsel;
- Goodwin Consulting Group, as special tax consultant; and
- BNY Western Trust Company, as Trustee for the Bonds.

EXECUTION

This Official Statement has been duly authorized by the Executive Committee of the Board of Directors of the Issuer, acting as legislative body for the Community Facilities District.

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS, for and on behalf of ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS COMMUNITY FACILITIES DISTRICT NO. 2004-2 (WINDEMERE RANCH)

By: \s\ Joseph Chan
Chief Financial Officer

APPENDIX A

SELECTED DEMOGRAPHIC DATA REGARDING THE CITY OF SAN RAMON, CONTRA COSTA COUNTY AND THE TRI-VALLEY AREA

The following information regarding the City of San Ramon, Contra Costa County and the Tri-Valley Area is presented as general background data. The Bonds are payable solely from the sources described herein (see "SECURITY FOR THE BONDS").

The Community Facilities District is located in an unincorporated area of Contra Costa County (the **"County"**) east of the City of San Ramon (the "**City**"), approximately 35 miles southeast of San Francisco and 390 miles north of Los Angeles. The City and its sphere of influence are bounded by Alameda County and open space to the west, the Town of Danville to the north, and the Alameda County line and City of Dublin to the south. The City has agreed that each parcel of property in the Community Facilities District will be eligible for annexation after approval of final maps for development.

Much of the land within the City was granted in 1835 to Jose Maria Amador, an early settler. Neighboring Danville was first established as a rural village in the 1850's, with both areas being served by the Southern Pacific Railroad in the late 1800's. With construction of the Bay Bridge in 1936 and the Caldecott Tunnel in 1937, central Contra Costa County became accessible to the large, growing employment centers in the San Francisco Bay Area. During the 1950's and 1960's San Ramon evolved into a desirable residential community in the unincorporated area of Contra Costa County. The completion of Interstate 680 in 1968, which extends from San Jose through Alameda and Contra Costa Counties and into Solano County, contributed to increased residential and economic development throughout the San Ramon Valley. As a result of development pressures along the Interstate 680 Corridor during the early 1980's, an effort to incorporate the City was made to gain additional local control over growth and planning issues. The City was incorporated in 1983 and presently covers an area of 21.1 square miles with an additional 4.4 square miles included within the boundaries of the City's General Plan.

By the early 1990's, the City was experiencing dramatic change with the construction of the Bishop Ranch Office Park within the City. Formerly a bedroom community, San Ramon was in transition to a regional employment center. Bishop Ranch created a much higher rate of job growth than the rate of population increase. Bishop Ranch was able to offer adequate parking, lower rental rates, and access to an educated work force living in close proximity. These and other factors have combined to attract large tenants and owner-users. Large employers located in San Ramon include Chevron (2.0 million square feet of office space) and Pacific Bell (2.2 million square feet of office space).

In 1997 new Bay Area Rapid Transit stations were opened in the neighboring communities of Pleasanton and Dublin, thus providing residents with an additional means of transportation both to and from San Francisco Bay Area major city centers.

Over the past several years the San Ramon/Danville area has experienced rapid and steady growth. While Danville has remained residential and rural in character, San Ramon and other neighboring cities, such as Concord, Pleasanton and Walnut Creek, have developed significant job centers including major commercial and light industry business parks, all within easy commuting distance.

Population

Population estimates follow for the City, the County of Contra Costa and the State of California for the years 1992-2002. Figures are not available for 2003.

Population
For Years 1992 through 2002

Year (as of January 1)	City	Contra Costa County	State of California
1992	35,800	829,200	30,812,000
1993	38,300	843,700	31,303,000
1994	39,000	856,000	31,661,000
1995	39,950	863,300	31,910,000
1996	40,750	872,600	32,223,000
1997	42,300	887,100	32,670,000
1998	43,800	906,500	33,226,000
1999	44,700	916,400	33,773,000
2000	44,850	955,900	34,207,000
2001	46,100	972,100	34,818,000
2002	46,250	981,600	35,037,000

Source: California State Department of Finance, Demographic Research Unit.

Building Activity

The following chart shows the total number of residential building permits issued by the Cities of San Ramon, Danville and Dublin, as well as Contra Costa County, and the value of those permits for calendar years 1998 through 2002. Figures are not available for 2003.

City of San Ramon
Total Building Permit Valuations
(valuations in thousands)

	1998	1999	2000	2001	2002
Permit Valuation					
New Single-family	$30,076.1	$42,678.5	$64,408.9	$21,655.3	$ 4,455.0
New Multi-family	13,042.6	10,578.4	2,807.9	0.0	0.0
Res. Alterations/Additions	2,944.3	7,655.3	10,832.7	9,137.3	10,369.8
Total Residential	46,063.0	60,912.2	78,049.5	30,792.6	14,824.8
New Commercial	7,292.2	17,620.8	90,409.1	69,560.4	5,450.6
New Industrial	0.0	3,000.0	0.0	900.0	0.0
New Other	1,099.3	9,196.5	3,739.6	4,075.6	4,124.9
Com. Alterations/Additions	5,099.1	16,579.2	63,551.6	28,787.2	33,365.4
Total Nonresidential	13,490.5	46,396.5	157,700.4	103,323.2	42,940.9
New Dwelling Units					
Single Family	133	224	247	83	14
Multiple Family	148	95	34	0	0
TOTAL	281	319	281	83	14

Town of Danville
Total Building Permit Valuations
(valuations in thousands)

	1998	1999	2000	2001	2002
Permit Valuation					
New Single-family	$65,969.1	$84,504.4	$20,061.6	$14,201.0	$ 8,236.0
New Multi-family	0.0	3,191.1	0.0	0.0	6,440.0
Res. Alterations/Additions	6,775.7	8,879.3	20,127.6	8,090.0	6,653.2
Total Residential	72,744.9	96,574.8	40,189.1	22,291.0	21,329.2
New Commercial	2,507.2	1,426.8	3,640.0	0.0	400.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	6,695.3	4,277.6	3,644.2	1,541.0	934.2
Com. Alterations/Additions	3,088.4	1,822.8	5,154.0	5,935.0	3,204.0
Total Nonresidential	12,290.9	7,527.2	12,438.1	7,476.0	4,538.2
New Dwelling Units					
Single Family	213	296	56	72	34
Multiple Family	0	37	0	0	76
TOTAL	213	333	56	72	110

City of Dublin
Total Building Permit Valuations
(valuations in thousands)

	1998	1999	2000	2001	2002
Permit Valuation					
New Single-family	$26,877.2	$149,095.6	$204,727.4	$ 39,743.7	$133,236.4
New Multi-family	83,712.6	11,683.9	18,255.9	59,506.8	59,764.9
Res. Alterations/Additions	1,328.2	1,513.2	1,566.2	2,000.6	2,138.0
Total Residential	111,918.0	162,292.7	224,549.5	101,251.1	195,139.3
New Commercial	67,842.5	27,479.1	78,468.4	56,625.7	17,640.3
New Industrial	0.0	140.0	8,500.0	0.0	0.0
New Other	2,093.4	2,556.2	3,676.6	1,895.6	612.3
Com. Alterations/Additions	10,872.3	10,611.9	33,332.6	11,800.9	13,370.1
Total Nonresidential	80,808.2	40,787.1	123,977.6	70,322.2	31,622.8
New Dwelling Units					
Single Family	109	576	753	154	376
Multiple Family	901	109	114	515	243
TOTAL	1,010	685	867	669	619

CONTRA COSTA COUNTY
Total Building Permit Valuations
(valuations in thousands)

	1998	1999	2000	2001	2002
Permit Valuation					
New Single-family	$651,643.5	$ 853,526.4	$ 919,039.8	$917,084.8	$1,219,607.6
New Multi-family	96,238.9	44,769.4	116,450.8	81,836.2	60,107.3
Res. Alterations/Additions	133,446.1	165,018.5	188,993.9	171,687.4	213,248.0
Total Residential	881,328.4	1,063,314.3	1,224,484.5	1,170,608.4	1,492,962.9
New Commercial	56,959.3	127,938.8	216,485.6	262,716.8	134,262.0
New Industrial	16,710.7	18,192.0	12,652.7	8,832.2	9,316.4
New Other	48,242.2	56,939.7	57,254.3	88,750.3	87,959.0
Com. Alterations/Additions	119,968.3	128,973.6	193,878.9	164,672.5	143,627.8
Total Nonresidential	241,880.6	332,044.0	480,271.5	524,971.8	375,165.2
New Dwelling Units					
Single Family	3,143	4,081	4,344	4,152	5,076
Multiple Family	1,106	508	1,295	984	729
TOTAL	4,249	4,589	5,639	5,136	5,805

Source: Construction Industry Research Board, *Building Permit Summary*

Retail Sales

The following charts show retail sales within the City and County by type of business for the years indicated. Figures are not available for 2003.

City of San Ramon
Total Taxable Sales
1998 to 2002
(In thousands)

	1998	1999	2000	2001	2002
Retail Stores:					
Apparel Stores	$ 12,784	$ 12,498	$ 12,356	$ 11,890	$ 10,942
General Merchandise Stores	51,746	60,717	61,656	67,629	68,864
Food Stores	30,556	33,160	37,210	39,987	38,395
Eating and Drinking Places	57,962	63,359	68,220	72,592	71,050
Home Furnishings and Appliances	27,543	25,798	37,280	24,480	21,571
Bldg. Materials and Farm Implmnts.	58,369	70,788	78,013	78,007	(2)
Auto Dealers and Auto Supplies	10,722	11,045	20,298	19,995	16,745
Service Stations	32,229	37,535	41,452	39,122	35,474
Other Retail Stores	108,005	130,156	119,682	110,808	191,439
Retail Store Totals	389,916	445,056	476,167	464,510	452,480
All Other Outlets	455,772	745,586	696,183	319,134	223,460
TOTAL ALL OUTLETS	$ 845,688	$1,190,642	$1,172,350	$783,644	$675,940

(1) Taxable sales information for these years was included with other categories by the California State Board of Equalization.
(2) Sales omitted because their publication would result in the disclosure of confidential information.
Source: California State Board of Equalization

Contra Costa County
Taxable Transactions
(In Thousands)

Type of Business	1998	1999	2000	2001	2002
Retail Stores:					
Apparel stores	$ 289,750	$ 304,915	$ 338,215	$ 346,190	$ 357,690
General merchandise stores	1,187,212	1,467,490	1,625,482	1,683,803	1,684,336
Specialty stores group	1,070,135	1,259,681	1,278,513	1,229,075	1,307,403
Eating and drinking group	708,982	764,682	832,962	878,955	903,540
Building material group	581,855	680,821	766,196	850,622	876,203
Automotive group	2,179,300	2,134,060	2,583,409	2,673,955	2,618,035
Retail stores total(1)	7,223,699	7,718,261	8,649,419	7,662,600	7,747,207
Business and personal services	442,696	467,124	542,103	540,959	517,165
All other outlets	2427,295	2,929,091	3,139,038	2,772,940	2,597,913
TOTAL ALL OUTLETS:	$10,093,690	$11,114,476	$12,330,560	$10,976,499	$10,862,285

(1) Total does not equal sum of categories shown due to categories not included in listing.
Source: California State Board of Equalization

Employment

The City of San Ramon is unique in that it currently has more total jobs than employed residents. This is directly attributable to the development of the Bishop Ranch Business Park, which currently has an estimated 23,500 jobs with a total build-out estimated at 27,270 jobs. The development of the Bishop Ranch Business Park started in the early 1980's and continues. The Association of Bay Area Governments (ABAG) Projections 2002 estimates that San Ramon currently has approximately 11,280 more jobs than employed residents. By contrast, of the 21 cities and areas surveyed throughout Contra Costa County, only Walnut Creek and Concord have more jobs than employed residents. Typically, a city and/or area has fewer jobs than employed residents, with employees commuting to outlying areas for employment. Contra Costa County as a whole has significantly fewer jobs than employed residents with employees historically having commuted to major employment centers in Oakland and farther west in San Francisco. This trend has become less pronounced with the commercial development of office space along I-680 over the last eight to ten years. Both Walnut Creek, San Ramon and, to a lesser extent, the community of Concord has become major employment centers with significant commercial office development.

Following is a summary of employed residents, total jobs and jobs by category for the City.

City of San Ramon
Employed Residents by Category

	1990	1995	2000	Projected 2005
Employed Residents	21,192	22,700	26,956	31,600
Total Jobs	32,490	30,880	38,140	42,140
San Ramon: Jobs by Category	1990	1995	2000	2005
Agricultural	1,250	1,260	1,230	1,230
Manufacturing	5,530	5,460	5,840	6,030
Retail Trade	4,320	4,270	4,700	5,110
Services	9,470	8,940	13,630	16,140
Other	11,920	11,950	12,740	13,630

Source: Association of Bay Area Governments Projections 2002.

San Ramon's job growth from 2000 to 2010 is projected at 10,810 new jobs or an increase of 28.3%, compared to an increase of 16.1% for Contra Costa County over the same time period. San Ramon's positive balance with more jobs than employed residents results in more retail spending within the City as a result of City residents spending more time within the community.

San Ramon has developed a major regional employment center in its recently constructed office complexes and the city is within ten minutes of major employment centers in Walnut Creek, Pleasanton, and Concord. The commute to Oakland and San Francisco is approximately 30 minutes and 45 minutes by automobile, respectively. Additionally, commuters choosing to travel by heavy rail transit have a typical 40 minute and 50 minute commute to the Cities of Oakland and San Francisco, respectively.

The largest manufacturing and non-manufacturing employers as of 2002 in Contra Costa County are shown below.

Employer Name	Industry
Bio-Rad Laboratories	Industrial Inorganic Chemicals
Brookside Hospital	Hospitals
Chevron	Petroleum Refining
Color Spot Nurseries	Horticultural Specialties
Contra Costa Community Colleges	Colleges & Universities
Contra Costa County Government	Public Administration (Government)
John Muir Medical Center	Hospitals
Kaiser Foundation Hospitals	Hospitals
Kaiser Permanente Medical Centers	Offices & Clinics of Medical Doctors
Kiewit Pacific Construction	Highway & Street Construction
Longs Drug Stores	Drug Stores & Proprietary Stores
Mt Diablo Unified School District	Elementary & Secondary Schools
Pacific Bell	Telephone Communications
US Post Office	U.S. Postal Service

Source: State of California Employment Development Department.

The County has one of the fastest-growing work forces among Bay Area counties, with growth in its employment base being driven primarily by the need to provide services to an increasing local population. The County has also experienced an immigration of white-collar jobs due to the relocation of companies from costlier locations in the Bay Area. The combined impact of population growth and immigration has resulted in significant job creation in the County, with the job base having grown more than 50% since 1980.

The following tables describe the civilian labor force in the county from 1999 through 2003, as well as the number of wage and salary workers for the years 1999 through 2003.

County of Contra Costa
Employment and Unemployment Of
Civilian Labor Force (in Thousands)
(1999 – 2003)

	1999	2000	2001	2002	2003
Civilian Labor Force	485.3	499.6	508.4	519.6	517.5
Employment	470.6	486.0	491.7	492.7	488.8
Unemployment	14.7	13.6	16.7	26.9	28.7
Unemployment Rate:					
County:	3.0	2.7	3.3	5.2	5.5
State:	5.2	4.9	5.4	6.7	6.7

Source: Employment Development Department, State of California Health and Welfare Agency

The following table shows the number of wage and salary workers by Industry for the County for the years 1998 through 2002. Figures are not available for 2003.

County of Contra Costa
Wage and Salary Workers by Industry
Annual Averages (in Thousands)

Wage and Salary Employment: [1]	1998	1999	2000	2001	2002
Agriculture	1,900	2,300	3,000	3,000	3,100
Natural Resources and Mining	2,200	2,300	2,400	1,600	1,300
Construction	53,200	60,000	65,500	69,700	65,700
Manufacturing	114,600	112,100	116,500	113,200	102,500
Wholesale Trade	49,800	51,500	53,700	55,400	52,900
Retail Trade	105,700	109,500	112,300	113,300	111,400
Transportation, Warehousing and Utilities	40,100	41,700	41,700	41,300	39,700
Information	34,300	35,000	39,000	37,700	34,900
Finance and Insurance	31,800	32,500	33,000	40,300	42,100
Real Estate and Rental and Leasing	16,900	17,600	17,600	18,300	18,300
Professional and Business Services	151,600	160,200	170,200	159,000	151,200
Educational and Health Services	105,800	109,200	110,700	112,500	118,700
Leisure and Hospitality	70,800	72,400	73,700	77,900	80,300
Other Services	30,500	31,000	31,900	35,800	38,100
Federal Government	20,900	20,400	21,000	19,200	18,300
State Government	43,900	45,600	45,900	47,300	49,000
Local Government	104,100	107,100	109,700	112,300	118,200
Total, All Industries	978,100	1,010,200	1,047,600	1,057,800	1,045,700

[1]Based on place of work.
[2]Total" may not be precise due to independent rounding.
Source: Employment Development Department, State of California Health and Welfare Agency.

According to *Sales and Marketing Management* magazine, the median household effective buying income for the County of Contra Costa increased from $44,583 in 1990 to $60,189 in 2000, but has since decreased to $54,488 in 2002. Since 1982, the median household effective buying income for the County has consistently exceeded that of California and the United States. The following chart shows the median household effective buying income and the total effective buying income for the County of Contra Costa, California, and the United States from 1998 through 2002. Figures are not available for 2003.

Personal Income
1998 through 2002

	Total Effective Buying Income (000's)	Median Household Effective Buying Income
1998		
County of Contra Costa	$ 19,079,564	$48,476
California	524,439,600	36,483
United States	4,399,998,035	34,618
1999		
County of Contra Costa	21,772,470	53,234
California	590,376,663	39,492
United States	4,877,786,658	37,233
2000		
County of Contra Costa	24,823,698	60,189
California	652,190,282	44,464
United States	5,230,824,904	39,129
2001		
County of Contra Costa	23,902,953	56,507
California	650,521,407	43,532
United States	5,230,824,904	38,365
2002		
County of Contra Costa	24,571,388	54,448
California	647,879,427	42,484
United States	5,340,682,818	38,035

Source: Sales and Marketing Management Magazine.

Education

The San Ramon Valley Unified School District serves the City, Danville and Alamo and operates 16 elementary schools (grades K-5), five middle schools (grades 6-8), three high schools (grades 9-12) and one continuation high school program. One additional elementary school opened in September 2000 and more are planned to accommodate the rapid growth within the school district.

Fire and Police Services

Police Services are provided to land within the Community Facilities District by the Contra Costa County Sheriff's Department, which also provides Danville and the City of San Ramon with services pursuant to a contract.

The San Ramon Valley Fire Protection District provides for fire protection facilities and services to the City, Danville and other communities within the San Ramon Valley.

Housing

Housing in the City is mixed in price, style, age and location influences. San Ramon has characteristically been a suburban bedroom community for the major metropolitan areas of Oakland and San Francisco. Subsequent to the start of the Bishop Ranch Office Park development in the early 1980's, San Ramon provided a housing alternative for local residents employed along the I-680 Corridor.

The City's large existing job base and convenient location with respect to employment centers along I-680 has resulted in a steady demand for housing. Home prices in San Ramon compare favorably to other communities in central Contra Costa County.

Detached single-family homes are the most common housing product, although condominium and apartment complexes are also available in San Ramon. Duplexes and four-plexes are found in the Twin Creeks neighborhood. Some neighborhoods have locations with lower density luxury housing and view amenities. The City's General Plan reflects an anticipated eventual build-out of 23,030 housing units with about 40% of these multi-family dwellings.

Within the existing City limits there is some land available for development including higher density residential land north of Crow Canyon Road, low- and medium-density residential uses in the area west of San Ramon Valley Boulevard and at the extreme southeast section of the city at Old Ranch Road and Dougherty Road. There is also substantial residential development planned for the Dougherty Valley, east of the existing city limits, which includes land within the Community Facilities District.

Utilities

Pacific Gas and Electric Company provides electricity and natural gas to the San Ramon and Danville. Telephone service is supplied by Pacific Bell Telephone. Water for San Ramon and Danville is currently supplied by Dublin San Ramon Services District, and sewer service is provided by the Central Contra Costa Sanitary District.

APPENDIX B

RATE AND METHOD OF APPORTIONMENT

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EXHIBIT B

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-2
(WINDEMERE RANCH)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch) shall be levied and collected according to the tax liability determined by the Board or its designee, through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in CFD No. 2004-2, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to the CFD unless a separate Rate and Method of Apportionment is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded with the County.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311), Division 2, of Title 5 of the California Government Code.

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the Authority in carrying out its duties with respect to CFD No. 2004-2 and the Bonds, including, but not limited to, management of funds, expenditures, and investments of the CFD, the levying and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County Auditor's Office, Tax Collector's Office, and/or Treasurer's Office, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to Bonds, costs associated with complying with continuing disclosure requirements under the California Government Code with respect to the Bonds and the Special Tax, and all other costs and expenses of the Authority in any way related to the establishment or administration of CFD No. 2004-2.

"Administrator" means the person or firm designated by the Authority to administer the Special Tax according to the Rate and Method of Apportionment of Special Tax.

"Apartment Property" means, in any Fiscal Year, all Parcels within CFD No. 2004-2 for which a building permit was issued for construction of a residential structure with multiple residential units, all of which are offered for rent to the general public and are not available for sale to individual owners.

"Assessor's Parcel" or **"Parcel"** means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor designating parcels by Assessor's Parcel number.

"Association Property" means any property within the CFD that is owned by a homeowners association or property owners association, excluding Association Property under the pad or footprint of a Unit.

"Authority" means the ABAG Finance Authority for Nonprofit Corporations.

"Board" means the Executive Committee of the Board of Directors of the Authority, acting as the legislative body of CFD No. 2004-2.

"Bonds" means bonds or other debt (as defined in the Act), whether in one or more series, issued, insured or assumed by CFD No. 2004-2, including debt issued by agencies other than the Authority (as referenced in Section 53313.5(g) of the Act), to pay for public infrastructure and/or improvements eligible to be financed under the Act.

"Buildable Lot" means an individual lot within a Final Map for which a building permit may be issued without further subdivision of such lot.

"Capitalized Interest" means funds in any capitalized interest account available to pay debt service on Bonds.

"CFD" or **"CFD No. 2004-2"** means the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch).

"CFD Formation" means the date on which the Resolution of Formation to form CFD No. 2004-2 was adopted by the Board.

"Condominium" means an individual residential unit constructed on the Condominium Property.

"Condominium Property" means that property included within the geographic area identified as "Village 27" on the Tentative Map, or such other area as approved by the County.

"County" means the County of Contra Costa.

"Development Plan" means a condominium plan, site plan or other development plan that identifies information regarding the type of structure, acreage, square footage, and/or number of Units that are approved to be developed on Condominium Property and Townhome Property.

"Developed Property" means, in any Fiscal Year, all Taxable Property in CFD No. 2004-2 for which a building permit for new construction was issued by the County prior to June 1 of the preceding Fiscal Year.

"Excess Public Property" means the acres of Public Property that exceed the acreage exempted in Section G below. In any Fiscal Year in which a Special Tax must be levied on Excess Public Property pursuant to Step 4 in Section E below, Excess Public Property shall be those Assessor's Parcel(s) that most recently became Public Property based on the dates on which recorded Final Maps created such Public Property.

"Expected Land Uses" means the total number of Units expected within the CFD. At CFD Formation, the Expected Land Uses were determined based on the Final Map and Tentative Map. The Expected Land Uses may be updated over time, but not before the Administrator has tested changes to the Expected Land Uses by applying the steps in Section D below. The Expected Land Uses at CFD Formation are summarized in Attachment 1 hereto; the Administrator shall update the table in Attachment 1 each time a change occurs to the land use plans for property in the CFD.

"Expected Maximum Special Tax Revenues" means the amount of annual revenue that would be available if the Maximum Special Tax was levied on the Expected Land Uses. The Expected Maximum Special Tax Revenues as of CFD Formation are shown in Attachment 1 of this Rate and Method of Apportionment of Special Tax and may be reduced due to prepayments in future Fiscal Years.

"Final Map" means the final maps, recorded by the County, based on the final Development Plan and vesting tentative map for "Subdivision 8507 – Phase 2" for the Windemere Ranch project, or a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates Buildable Lots and for which no further subdivision is anticipated pursuant to the Tentative Map. The Final Maps recorded by the County as of CFD Formation include the following:

Village	Subdivision	Book and Page	Recording Date
20	8712	459 M 1	12/11/2003
21	8713	459 M 7	12/11/2003
22	8714	459 M 33	12/15/2003
23	8715	459 M 39	12/15/2003
24	8716	459 M 14	12/11/2003
25	8717	459 M 46	12/15/2003

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"**Maximum Special Tax"** means the greatest amount of Special Tax that can be levied in any Fiscal Year determined in accordance with Section C below.

"Non-Residential Property" means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit was issued for construction of a structure that will be used for any non-residential purpose.

"Proportionately" means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor's Parcels of Developed Property, and for Undeveloped Property that the ratio of the actual Special Tax to the Maximum Special Tax is equal for all Assessor's Parcels of Undeveloped Property.

"Public Property" means any property within the boundaries of CFD No. 2004-2 that is owned by or irrevocably offered for dedication to the federal government, State of California, County, or other local government or public agency.

"RMA" means this Rate and Method of Apportionment of Special Tax.

"Single Family Detached Property" means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a Unit that does not share a common wall with another Unit.

"Special Tax" means a Special Tax levied in any Fiscal Year to pay the Special Tax Requirement.

"Special Tax Requirement" means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds which is due in the calendar year that begins in such Fiscal Year; (ii) create and/or replenish reserve funds for the Bonds; (iii) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or, based on existing delinquencies in the payment of Special Taxes, are expected to occur in the Fiscal Year in which the tax will be collected; and (iv) pay Administrative Expenses. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to a Bond indenture, Bond resolution, or other legal document that sets forth these terms; (ii) proceeds from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2004-2 which are not exempt from the Special Tax pursuant to law or Section G below.

"Tentative Map" means the final Development Plans and vesting tentative maps for "Subdivision 8508," "Subdivision 8509," and "Subdivision 8510" for the Windemere Ranch project that were approved by the County Board of Supervisors on April 27, 2004, or any tentative subdivision map approved for Windemere Ranch after CFD Formation. If a new tentative map is approved after CFD Formation and the

Administrator has updated the Expected Land Uses and Attachment 1 of this RMA, the new tentative map shall function as the Tentative Map for purposes of this RMA.

"Townhome" means an individual residential unit constructed on the Townhome Property.

"Townhome Property" means that property included within the geographic area identified as "Village 38" on the Tentative Map, or such other area as approved by the County.

"Undeveloped Property" means, in any Fiscal Year, all Parcels of Taxable Property within the CFD that are not Developed Property.

"Unit" means (i) for Single Family Detached Property, an individual single family detached residential unit, (ii) for Condominium Property, an individual Condominium, and (iii) for Townhome Property, an individual Townhome.

"Village" means a specific geographic area within CFD No. 2004-2 that (i) is created upon recordation of a Final Map, and (ii) is expected to have Buildable Lots of a similar size or (iii) consists entirely of Apartment Property, Condominium Property, or Townhome Property. Villages that exist at CFD Formation are shown in Attachment 2 of this RMA, and Villages expected at CFD Formation are shown in Attachments 3 through 5 of this RMA. When a Final Map within CFD No. 2004-2 is recorded after CFD Formation, the actual boundary of each Village may change slightly from that shown in Attachments 3 through 5. Such change shall have no impact on the Expected Maximum Special Tax Revenues unless the total number of expected Units is changed. If such a change occurs, the Administrator shall follow the procedures set forth in Section D below to recalculate the Expected Maximum Special Tax Revenues.

B. DATA FOR ANNUAL ADMINISTRATION

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor's Parcel numbers for all Taxable Property. The Administrator shall also determine: (i) whether each Assessor's Parcel is Developed Property or Undeveloped Property, (ii) for Developed Property, which Parcels are Single Family Detached Property, Condominium Property, Townhome Property and Non-Residential Property, (iii) for Single Family Detached Property, the Village that each residential lot is located in, and (iv) the Special Tax Requirement. To determine the Village for each Parcel of Single Family Detached Property, the Administrator shall rely on the Final Map recorded to create the individual lots. For Condominium Property and Townhome Property, the number of Units shall be determined by referencing the Development Plan for the property.

In any Fiscal Year, if it is determined that (i) a parcel map for a portion of property in CFD No. 2004-2 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) one or more of the newly-created parcels meets the definition of Developed Property, the Administrator shall calculate the Special Tax for the property affected by recordation of the parcel map by determining the Special Tax that applies separately to each newly-created parcel, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

In addition, the Administrator shall, at least twice each Fiscal Year, determine: (i) whether changes to the Tentative Map have been proposed or approved; and (ii) whether Final Maps that have been proposed for approval or approved by the County after CFD Formation are consistent with the Tentative Map. If changes to the Tentative Map have occurred, or if Final Maps are inconsistent with the Tentative Map, the Administrator shall apply the steps set forth in Section D below.

C. MAXIMUM SPECIAL TAX

Table 1 below identifies the Maximum Special Tax for Taxable Property within CFD No. 2004-2:

TABLE 1
MAXIMUM SPECIAL TAXES

Type of Property	*Village*	*Maximum Special Tax*
Single Family Detached Property	37, 49	$1,970 per Unit
Single Family Detached Property	25, 31, 45, 48	$1,710 per Unit
Single Family Detached Property	24, 35, 40, 46	$1,660 per Unit
Single Family Detached Property	23, 30, 36, 47	$1,440 per Unit
Single Family Detached Property	22, 29, 34, 42	$1,370 per Unit
Single Family Detached Property	20, 21, 32, 33, 43, 44	$1,210 per Unit
Single Family Detached Property	28	$1,130 per Unit
Single Family Detached Property	39, 41	$890 per Unit
Condominium Property	27	$530 per Unit
Townhome Property	38	$1,210 per Unit
Non-Residential Property	All Applicable	$8,780 per Acre
Undeveloped Property	All Applicable	$8,780 per Acre

D. <u>BACK-UP FORMULA</u>

The Maximum Special Taxes set forth in Table 1 above are calculated based on the Expected Land Uses. Tentative Map revisions must be reviewed and compared to the Expected Land Uses to evaluate the impact on the Expected Maximum Special Tax Revenues. In addition, Final Maps must be reviewed to ensure they reflect the number of residential lots that was anticipated in the approved Tentative Map. The following steps shall be applied each time a change to the Tentative Map is proposed, and each time a Final Map is proposed for approval by the County ("Land Use/Entitlement Change"):

Step 1: The Administrator shall calculate the Expected Maximum Special Tax Revenues for the area in which the Land Use/Entitlement Change is proposed (the "Affected Area");

Step 2: The Administrator shall calculate the Maximum Special Tax revenues that could be collected from property in the Affected Area if the Land Use/Entitlement Change is approved;

Step 3: If the amount determined in Step 2 is not more than five percent (5%) less than that calculated in Step 1, the Land Use/Entitlement Change may be approved without further action. If the revenues calculated in Step 2 are *more than five percent (5%) less* than those calculated in Step 1, and **if**:

(a) The landowner does not withdraw the request for the Land Use/Entitlement Change that was submitted to the County; **or**

(b) The Board does not complete proceedings under the Act to increase the Maximum Special Tax to an amount sufficient to maintain the total Maximum Special Tax revenues that could be generated within the CFD before the Land Use/Entitlement Change was approved; **or**

(c) Before approval of the Land Use/Entitlement Change, the landowner requesting the Land Use/Entitlement Change does not prepay a portion of the Special Tax for the CFD in an amount that corresponds to the lost Maximum Special Tax revenue (the "Back-Up Prepayment"), as determined by applying the steps set forth in Section H below;

then, the amount of the Back-Up Prepayment determined in Step 3.c of this Section D shall be allocated on a per-acre basis and included on the next property tax bill for all Assessor's Parcels within the property affected by the Land Use/Entitlement Change. The amount allocated to each Assessor's Parcel shall be added to and, until paid, shall be a part of, the Maximum Special Tax for the

Assessor's Parcel. This back-up formula shall not apply to Parcels already designated as Developed Property.

If multiple Land Use/Entitlement Changes are proposed at one time (which may include approval of multiple Final Maps at one time), the Administrator may consider the combined effect of all the Land Use/Entitlement Changes to determine if there is a reduction in Expected Maximum Special Tax Revenues that necessitates implementation of Step 3.b or 3.c. If, based on this comprehensive analysis, the Administrator determines that there is a greater than 5% reduction in Expected Maximum Special Tax Revenue, ***and all of the Land Use/Entitlement Changes are being proposed by the same land owner***, the Administrator shall determine the required increase in the Maximum Special Tax for the Affected Area (pursuant to Step 3.b) or the required prepayment (pursuant to Step 3.c). If, based on the comprehensive analysis, the Administrator determines that there is a greater than 5% reduction in Expected Maximum Special Tax Revenue, ***and not all of the Land Use/Entitlement Changes are being proposed by the same land owner***, the Administrator shall separately consider the impact of the proposed Land Use/Entitlement Changes on each land owner to determine the specific impact of each owner's Land Use/Entitlement Changes.

E. METHOD OF LEVY OF THE SPECIAL TAX

Each Fiscal Year, the Administrator shall determine the Special Tax Requirement to be collected in that Fiscal Year, and the Special Tax shall be levied according to the steps outlined below.

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property within the CFD up to 100% of the Maximum Special Tax determined pursuant to Section C until the amount levied on Developed Property is equal to the Special Tax Requirement prior to applying any Capitalized Interest that is available in the CFD accounts;

Step 2: If additional revenue is needed after Step 1, and after applying Capitalized Interest to the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property within the CFD, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year determined pursuant to Section C;

Step 3: If additional revenue is needed after applying the first two steps, the Special Tax shall be levied Proportionately on each Parcel of Association Property within the CFD, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year determined pursuant to Section C;

Step 4: If additional revenue is needed after applying the first three steps, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Excess Public Property, exclusive of property exempt from the Special Tax pursuant to Section G below, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year determined pursuant to Section C.

F. COLLECTION OF SPECIAL TAX

The Special Taxes for CFD No. 2004-2 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section H below and provided further that the Authority may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on Bonds have been repaid and authorized facilities to be constructed from Special Tax proceeds have been completed. However, in no event shall a Special Tax be levied after Fiscal Year 2040-2041. Pursuant to Section 53321 (d) of the Act, the Special Tax levied against a Parcel used for private residential purposes shall under no circumstances increase more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel or Parcels and shall, in no event, exceed the Maximum Special Tax in effect for the Fiscal Year in which the Special Tax is being levied.

G. EXEMPTIONS

Notwithstanding any other provision of this Rate and Method of Apportionment of Special Tax, no Special Tax shall be levied on up to 1,250 acres of Public Property, except as otherwise provided in the Act. A separate amount of public acreage may be exempted each time property annexes into CFD No. 2004-2, and such additional exemption shall only apply to property within the annexation area. A Special Tax may be levied on Excess Public Property pursuant to Step 4 of Section E; however, a public agency may require that the special tax obligation on land conveyed to it that would be classified as Excess Public Property be prepaid pursuant to Section H below.

In addition to Public Property, no Special Tax shall be levied on (i) Apartment Property, (ii) property designated as permanent open space or common space on which no structure is permitted to be built, (iii) property owned by a public utility for use as an unmanned facility, or (iv) property subject to an easement that precludes any other use on the Parcel.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

> **"Outstanding Bonds"** means all Previously Issued Bonds which remain outstanding, with the following exception: if a Special Tax has been levied against, or already paid by, an Assessor's Parcel making a prepayment, and a portion of the Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of Outstanding Bonds for purposes of this prepayment formula.
>
> **"Previously Issued Bonds"** means all Bonds that have been issued on behalf of the CFD prior to the date of prepayment.
>
> **"Public Facilities Requirements"** means either $32,800,000 in 2004 dollars, which shall increase on January 1, 2005, and on each January 1 thereafter by the percentage increase, if any, in the construction cost index for the San Francisco region for the prior twelve (12) month period as published in the Engineering News Record or other comparable source if the Engineering News Record is discontinued or otherwise not available, or such other number as shall be determined by the County to be an appropriate estimate of the net construction proceeds that will be generated from all Bonds that have been or are expected to be issued on behalf of CFD No. 2004-2. The Public Facilities Requirements shown above may be adjusted or a separate Public Facilities Requirements identified each time property annexes into CFD No. 2004-2; at no time shall the added Public Facilities Requirement for that annexation area exceed the amount of public improvement costs that are expected to be supportable by the Maximum Special Tax revenues generated within that annexation area.
>
> **"Remaining Facilities Costs"** means the Public Facilities Requirements (as defined above), minus public facility costs funded by Outstanding Bonds (as defined above), developer equity, and/or any other source of funding.

1. Full Prepayment

The Special Tax obligation applicable to an Assessor's Parcel in the CFD may be prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the Authority with written notice of intent to prepay. Within 30 days of receipt of such written notice, the Authority or its designee shall notify such owner of the prepayment amount for such Assessor's Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes. The Prepayment Amount shall be calculated as follows (capitalized terms as defined below):

Bond Redemption Amount	
plus	Remaining Facilities Amount
plus	Redemption Premium
plus	Defeasance Requirement
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

Step 1. Compute the total Maximum Special Tax that could be collected from the Assessor's Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the Authority or, in the event of a prepayment pursuant to Step 3.c in Section D, compute the amount by which the Maximum Special Tax revenues would be reduced by the Land Use/Entitlement Change and use the amount of this reduction as the figure for purposes of this Step 1.

Step 2. Divide the Maximum Special Tax from Step 1 by the then-current Expected Maximum Special Tax Revenues.

Step 3. Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the "**Bond Redemption Amount"***).

Step 4. Compute the current Remaining Facilities Costs (if any).

Step 5. Multiply the quotient computed pursuant to Step 2 by the amount determined pursuant to Step 4 to compute the amount of Remaining Facilities Costs to be prepaid (*the "**Remaining Facilities Amount"***).

Step 6. Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "**Redemption Premium"***).

Step 7. Compute the amount needed to pay interest on the Bond Redemption Amount starting with the first Bond interest payment date after which the prepayment has been received until the earliest redemption date for the Outstanding Bonds. However, if Bonds are callable at the first interest payment date after the prepayment has been received, Steps 7, 8 and 9 of this prepayment formula will not apply.

Step 8: Compute the amount of interest the Authority reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.

Step 9: Take the amount computed pursuant to Step 7 and subtract the amount computed pursuant to Step 8 (the ***"Defeasance Requirement"***).

Step 10. Determine the costs of computing the prepayment amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the ***"Administrative Fees and Expenses"***).

Step 11. If and to the extent so provided in the indenture pursuant to which the Outstanding Bonds to be redeemed were issued, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "***Reserve Fund Credit"***).

Step 12. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (the "***Prepayment Amount"***).

2. Partial Prepayment

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made is equal to the Maximum Special Tax that could have been levied prior to the prepayment, reduced by the percentage of the full prepayment that the partial prepayment represents, all as determined by or at the direction of the Administrator.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The Authority reserves the right to make minor administrative and technical changes to this document that do not materially affect the rate and method of apportioning Special Taxes. In addition, the interpretation and application of any section of this document shall be left to the Authority's discretion. Interpretations may be made by the Authority by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this RMA.

J. APPEAL OF SPECIAL TAX LEVY

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Administrator not later than one calendar year after having paid the Special Tax that is disputed. The Administrator shall promptly review the appeal and, if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and decide the appeal. If the property owner disagrees with the Administrator's decision relative to the appeal, the owner may then file a written appeal with the Board whose subsequent decision shall be binding. If the decision of the Administrator (if the appeal is not filed with the Board) or the Board (if the appeal is filed with the Board) requires the Special Tax to be modified or changed in favor of the property owner, no cash refund shall be made for prior years' Special Tax levies, but an adjustment shall be made to the next Special Tax levy(ies). This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to filing any legal action by such owner.

ATTACHMENT 1

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-2
(WINDEMERE RANCH)

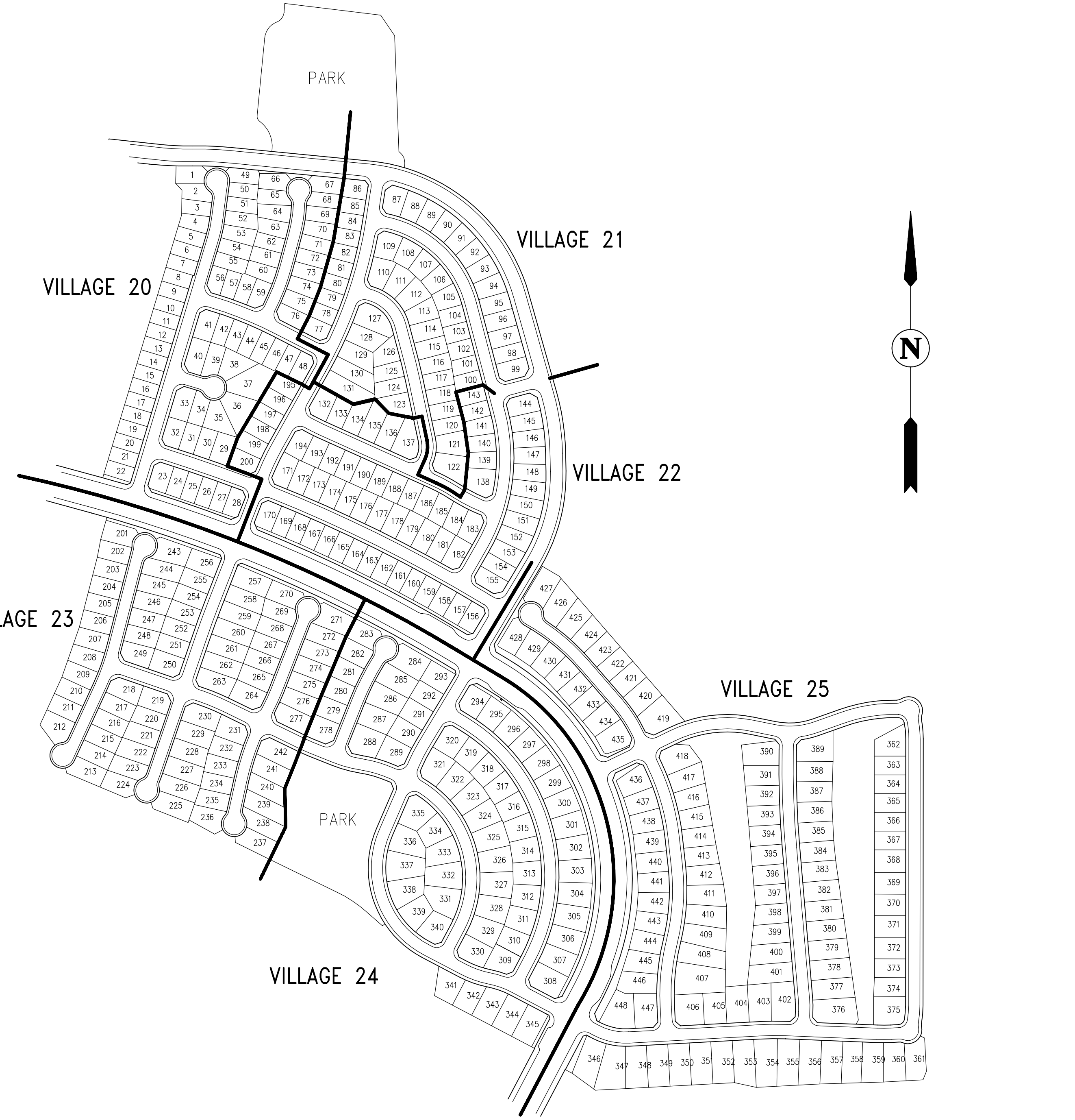
EXPECTED LAND USES AND
EXPECTED MAXIMUM SPECIAL TAX REVENUES
AT CFD FORMATION

Village Numbers	Expected Land Use	Expected Number of Residential Units	Maximum Special Tax Per Unit	Total Expected Maximum Special Tax Revenues
37, 49	Single Family Detached Lots	181	$1,970	$356,570
25, 31, 45, 48	Single Family Detached Lots	374	$1,710	$639,540
24, 35, 40, 46	Single Family Detached Lots	282	$1,660	$468,120
23, 30, 36, 47	Single Family Detached Lots	336	$1,440	$483,840
22, 29, 34, 42	Single Family Detached Lots	360	$1,370	$493,200
20, 21, 32, 33, 43, 44	Single Family Detached Lots	504	$1,210	$609,840
28	Single Family Detached Lots	83	$1,130	$93,790
39, 41	Single Family Detached Lots	205	$890	$182,450
27	Condominiums	179	$530	$94,870
38	Townhomes	141	$1,210	$170,610
Total Expected Maximum Special Tax Revenues				**$3,592,830**

ATTACHMENT 2

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-2
(WINDEMERE RANCH)

IDENTIFICATION OF VILLAGES AND
FUTURE DEVELOPMENT AREAS
WINDEMERE PHASE 2



WINDEMERE PHASE 2

PHASE 2 – SUBDIVISION 8507			
20	Single Family	45' x 90'	76
21	Single Family	50' x 80'	55
22	Single Family	50' x 90'	69
23	Single Family	55' x 100'	77
24	Single Family	65' x 90'	68
25	Single Family	60' x 100'	103
	Total Phase 2		448

cbg
Carlson, Barbee & Gibson, Inc.
CIVIL ENGINEERS • SURVEYORS • PLANNERS

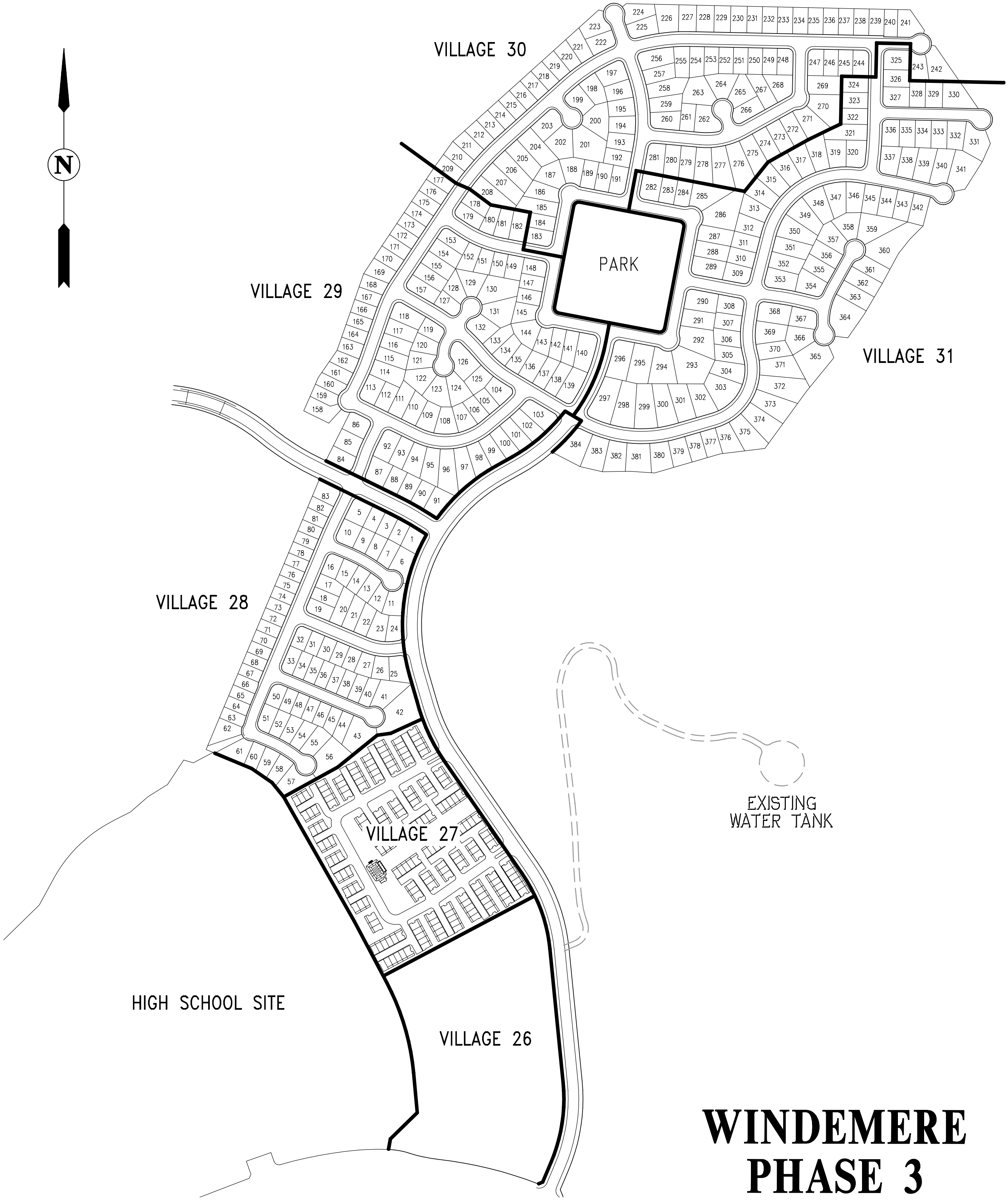
2603 CAMINO RAMON, SUITE 100
SAN RAMON, CALIFORNIA 94583
TEL (925) 866-0322
FAX (925) 866-8575

H:\94462\ACAD\PH02\EXHIBITS\PHASE2-SMALL.DWG

ATTACHMENT 3

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-2
(WINDEMERE RANCH)

IDENTIFICATION OF VILLAGES AND
FUTURE DEVELOPMENT AREAS
WINDEMERE PHASE 3



WINDEMERE
PHASE 3

PHASE 3 – SUBDIVISION 8508			
26	Multi Family	Apartments	293
27	Multi Family	Condominiums	179
28	Single Family	45' x 85'	83
29	Single Family	50' x 90'	99
30	Single Family	55' x 100'	99
31	Single Family	60' x 100'	103
	Total Phase 3		856

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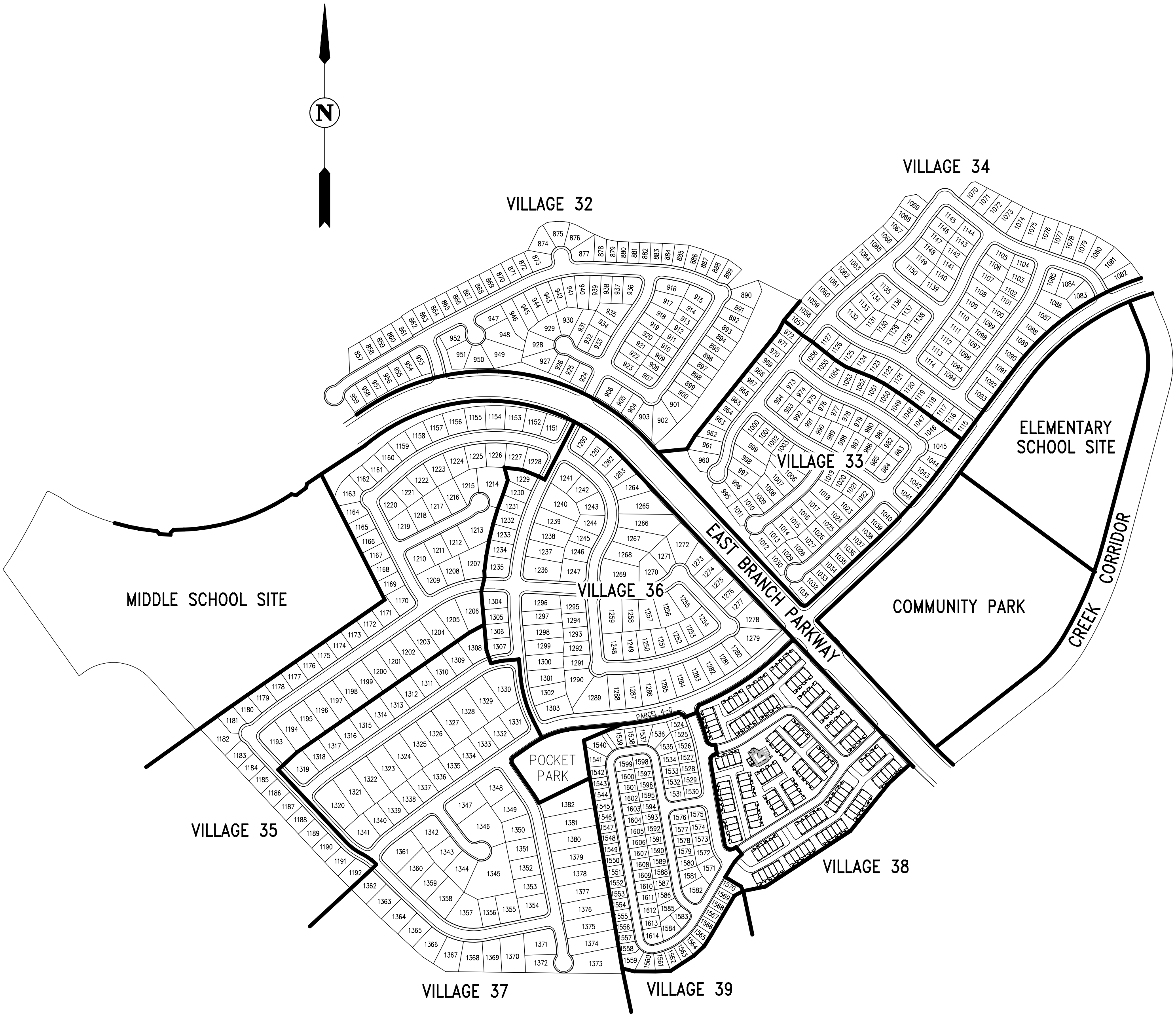
ATTACHMENT 4

ABAG Finance Authority for Nonprofit Corporations
Community Facilities District No. 2004-2
(Windemere Ranch)

Identification of Villages and
Future Development Areas
Windemere Phase 4



WINDEMERE PHASE 4

PHASE 4 – SUBDIVISION 8509			
32	Single Family	46' x 90'	103
33	Single Family	50' x 80'	97
34	Single Family	50' x 90'	94
35	Single Family	65' x 90'	78
36	Single Family	55' x 100'	79
37	Single Family	70' x 115'	75
38	Multi Family	Townhomes	141
39	Singe Family	45' x 70'	91
	Total Phase 4		758

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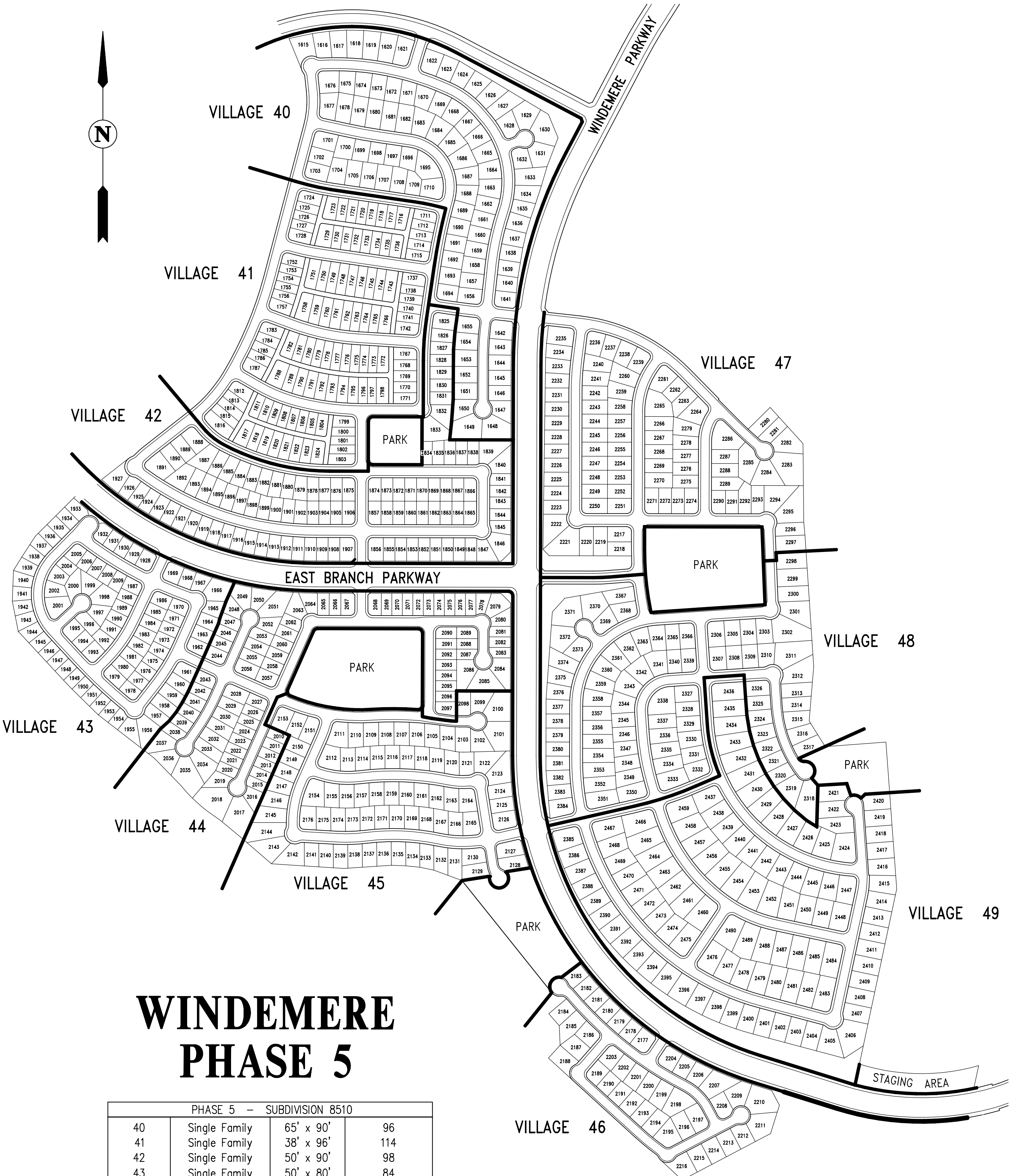
ATTACHMENT 5

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-2
(WINDEMERE RANCH)

IDENTIFICATION OF VILLAGES AND
FUTURE DEVELOPMENT AREAS
WINDEMERE PHASE 5



WINDEMERE
PHASE 5

PHASE 5 – SUBDIVISION 8510			
40	Single Family	65' x 90'	96
41	Single Family	38' x 96'	114
42	Single Family	50' x 90'	98
43	Single Family	50' x 80'	84
44	Single Family	45' x 90'	89
45	Single Family	60' x 100'	80
46	Single Family	65' x 90'	40
47	Single Family	55' x 100'	81
48	Single Family	60' x 100'	88
49	Single Family	70' x 115'	106
	Total Phase 5		876

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APPENDIX C

EXCERPTS FROM APPRAISAL REPORT

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A Complete Appraisal Presented in
A Self-Contained Format of

An Existing Mixed Use Master Planned Community
Remaining Lands of Windemere Ranch
San Ramon, California

Valuation As of

April 21, 2004

Date of Report

May 5, 2004

Prepared For

Mr. Clarke Howatt
ABAG Finance Authority

Prepared By

SMITH & ASSOCIATES, INC.

John E. Carrothers
Dennis L. Smith, MAI
3035 Prospect Park Drive, Suite 190
Rancho Cordova, CA 95670

(916) 567-1134
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Real Estate Appraisal
and Consulting

SMITH & ASSOCIATES

May 5, 2004

Mr. Clarke Howatt
ABAG Finance Authority, Metro Center
101 Eighth Street
Oakland, CA 94607-4756

Dear Mr. Howatt:

RE: Complete, Self Contained Appraisal
An Existing Mixed Use Master Planned Community
Remaining lands of Windemere Ranch
San Ramon, Contra Costa County, CA

Definition of Assignment and Report Format

This complete appraisal assignment is presented utilizing a self-contained format. It is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice. As such, it presents the data, reasoning, and analysis that were used in the process to develop the appraiser's opinion of value. This cover letter is intended to summarize the results of the analysis presented in this report.

The subject property is generally located along the eastern terminus of Bollinger Canyon Road, west of Camino Tassajara, approximately ¼ mile north of the Alameda/Contra Costa County line. This property, identified as Windemere Ranch represents a portion of the Dougherty Valley Specific Plan located in eastern San Ramon. It presently lies within Contra Costa County jurisdiction, but will be annexed into the City of San Ramon upon issuance of building permits. This site was acquired by the Windemere BLC Land Company LLC in April 2000 and consisted of approximately 2,320 acres for the development of 5,170 dwelling units.

Development has commenced for this project including release of production home subdivisions in 2002. To date, there has been the sale of 1,378 detached residential lots sold to builders, 302 attached units for condominiums and townhouses, 1,000 units for affordable multi-family development, and all of the commercial land components.

The remaining 2,645 units proposed for this project encompass the subject of this report. This is a mixed-use master planned community with detached single-family residential, multi-family residential, and public serving land uses. The remaining development for this project is identified for four phases of development. Phase 2 of this project includes final map approval, whereas the remaining project areas are in the planning process. It is clearly noted that the development of Phase 4 and portions of Phase 5 are proposed prior to Phase 3 due to the necessity of a middle school for this project area. Tentative maps have been submitted for all of the remaining phases of development.

This project is presently encumbered with bonds for the Windemere Ranch Assessment District 1999-1 Series 1999 Bonds. There has been $125,000,000 in bonds issued for this project as of the effective date of valuation. In addition, this property is proposed for up to an additional $45,000,000 in bonds for this project.

The following is a description of the subject property.

140 Town and Country Dr., Ste. F
Danville, CA 94526
Phone 925 855-4950
Fax 925 855-4951

3035 Prospect Park Drive, Suite 190
Rancho Cordova, CA 95670
Phone 916 567-1134
Fax 916 567-1149

Phase 2 – 448 detached single-family residential lots for three separate ownerships. All site development to these lots has been completed and reflects finished lots as of the effective date of valuation. The following table summarizes the current ownership and description of the lots within this phase of development.

Village	Ownership	# of Lots	Typical Lot Size
Village 20	Centex Homes	76 Lots	4,050 sf (45' x 90')
Village 21	Greystone Homes	55 Lots	4,000 sf (50' x 80')
Village 22	Brookfield Homes	69 Lots	4,500 sf (50' x 90')
Village 23	Centex Homes	77 Lots	5,500 sf (55' x 100')
Village 24	Brookfield Homes	68 Lots	5,850 sf (65' x 90')
Village 25	Greystone Homes	103 Lots	6,000 sf (60' x 100')
TOTALS		**448 Lots**	

Finished lots for this phase ranges in size from approximately 4,000 (50' x 80') to 8,050 (70' x 115') square feet. Initial home construction of the model homes in this project area has commenced as of the effective date of valuation.

Phase 4 – 526 detached single-family residential lots, 91 cottage lots (Courtyard) and 141 attached lots. Finished lots for this phase ranges in size from approximately 4,000 (50' x 80') to 8,050 (70' x 115') square feet. In addition, this phase of development includes a site identified for the development of 141 units (townhouse), with no affordable restrictions. Overall, there are 758 market-rate units proposed for this phase of development. In addition, this phase of development is proposed for the development of an elementary school, middle-school, and several interior parks. The elementary school identified in this phase of development will be developed concurrent with Phase 5 of this project. This area has been rough-graded as of the effective date of valuation with the delivery of finished lots scheduled for December 2004. All of the residential lots within this phase of development have been placed under contract to the individual homebuilders identified under the Windemere BLC (Centex Homes, Greystone Homes, Brookfield Homes). Refer to the *History of the Subject Property* Section of this report for an illustration of the individual pricing.

Phase 3 – 384 detached single-family residential lots and 179 attached lots (condominium). Finished lots for this phase ranges in size from approximately 3,825 (45' x 85') to 6,000 (60' x 100') square feet. In addition, this phase of development includes a site identified for the development of 179 units (condominium), with no affordable restrictions. It also includes a multi-family site identified for the development of 293 units with various affordable restrictions, however, based on client instructions valuation of the multi-family component is beyond the scope of this appraisal. This phase also includes the development of a high-school site and several interior parks. This project area has been rough-graded as of the effective date of valuation with the delivery of finished lots pushed back in time after Phase 4 and Phase 5A due to the necessity of a middle-school constructed within the community, as well as the overall negotiations with the adjacent developer, Shapell Industries over the construction of a common area bridge linking the two projects. Delivery of finished lots has been identified in December 2006.

Phase 5 – 876 detached single-family residential lots. Finished lots for this phase ranges in size from approximately 3,648 (38' x 96') to 8,050 (70' x 115') square feet. This phase of development is devoted solely to detached single-family residential development, with the exception of the elementary school developed for this project (located in Phase 3). This project area was vacant as of the effective date of valuation. This project has been identified and segregated into two sub-phases of development identified as Phase 5A and 5B. Phase 5A includes the delivery of 601 finished lots by December 2005, with the balance of 275 lots by December 2007.

The purpose of this report is to provide an opinion of the market value under numerous scenarios. The following is a summary of the parameters for valuation of this appraisal.

➢ *Market Value "As Is"* – This scenario reflects the opinion of value for the entire project as it legally and physically exists as of the effective date of valuation. At the request of the client, this has been allocated as follows.

A. Phase 2 – Value as finished lot for each ownership group
B. Phases 4, 3, and 5 – Values presented as each phase

The property rights appraised under all of the scenarios are indicative of the fee simple estate. The function of this report is for the exclusive use of the ABAG Finance Authority to aid in consideration of this project as collateral for bond financing.

Opinion of Market Value "As is"
Based on all pertinent data described herein, our opinion of the market value, "As is", subject to the contingent and limiting conditions, as well as the special assumptions as of the effective date of valuation, April 21, 2004, is as follows:

PHASE 2				
Reference	**Ownership**	**Description**	**Value**	**Marketing/Exposure Time**
Village 20	Centex Homes	76 Finished Lots	$25,460,000	3 Months
Village 21	Greystone Homes	55 Finished Lots	$18,425,000	3 Months
Village 22	Brookfield Homes	69 Finished Lots	$24,495,000	3 Months
Village 23	Centex Homes	77 Finished Lots	$28,875,000	3 Months
Village 24	Brookfield Homes	68 Finished Lots	$25,500,000	3 Months
Village 25	Greystone Homes	103 Finished Lots	$39,552,000	3 Months

This property recently transferred ownership in November 2003 to the ownerships identified above. The opinions of market value noted above are above the acquisition price for each village. However, these properties were acquired in late 2003 with prices predicated on home prices in this time frame. As illustrated throughout this report, home prices have significantly escalated over the past six months, raising underlying land values upward.

REMAINING PHASES – PHASES 4, 3, and 5			
Reference	**Description**	**Value**	**Marketing/Exposure Time**
Phase 4	Vacant Land for 526 Detached Lots, 91 Cottage Lots, and 141 Attached Lots (Townhouse)	$115,000,000	9 Months
Phase 3	Vacant Land for 384 Detached Lots, and 179 Attached Lots (Condominium)	$30,600,000	9 Months
Phase 5	876 Detached lots in two phases of development comprises of 601 lots in Phase 5A and 275 Lots in Phase 5B	$102,500,000	9 Months

The opinions of value noted above are presented in conjunction with the special assumptions of this report.

The following report contains the factual data and reasoning upon which these opinions of value are based. The contingent and limiting conditions and special assumptions are a vital part of this report. In addition to conforming with the Uniform Standards of Professional Appraisal Practice (USPAP), the appraisal is also in conformance with FIRREA appraisal regulations, most notably 12CFR, part 34, section 34.44, and Appraisal Standards of the Office of the Comptroller of the Currency (as modified June 7, 1994). Our experience with respect to the valuation of proposed residential properties is quite extensive. Furthermore, we have the appropriate education to have completed this assignment in a competent manner. This appraisal assignment was not based on a requested minimum value. Please feel free to call if there are any questions regarding this assignment.

Respectfully Submitted,

SMITH & ASSOCIATES, INC.

John E. Carrothers
Certified General Real Estate Appraiser
AG014187, Expiration 04/11/05

Dennis L. Smith, MAI
Certified General Real Estate Appraiser
AG002792, Expiration 02/01/06

SUBJECT PROPERTY PHOTOGRAPHS

Overall View of Phase 2

SUBJECT PROPERTY PHOTOGRAPHS

View along Windemere Parkway

Typical Street Scene—Phase 2

Typical Street Scene—Phase 2

Overall Views from Village 25, Phase 2

Overall Views from Village 25, Phase 2

SUBJECT PROPERTY PHOTOGRAPHS

Overall View of Phase 3

Overall View of Phase 3

Overall View of Phase 3

Overall View of Phase 3

Overall View of Phase 4

Overall View of Phase 4

Overall View of Phase 4

Overall View of Phase 4

View of Phase 5

View of Phase 5

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INTRODUCTION

The analysis described in this report represents the research and data necessary to derive an opinion of value for the remaining lands of the Windemere Ranch master planned community. This site was acquired by the Windemere BLC Land Company LLC in April 2000 and consisted of approximately 2,320 gross acres for the development of 5,170 dwelling units. Development has commenced for this project including release of production home subdivisions in 2002. This project encompasses 2,645 units identified in this project within Phases 2, 3, 4, and 5.

This project is located in the "Tri-Valley" area of Contra Costa County, generally at the eastern terminus of Bollinger Canyon Road, west of Camino Tassajara, approximately ¼ mile north of the Contra Costa/Alameda County line. It lies within the Dougherty Valley Specific Plan with approximately 11,000 residential units at completion, and represents one of the last development sites within the "Tri-Valley" area. One element which could potentially impact value in this community has recently been resolved. This project as located within the Dougherty Valley Specific Plan is entitled up to 3,995 units along the Shapell Industries similar total for 8,500 residential units. At this time, Contra Costa County performs a traffic study to determine if there is detrimental impact on the entire region, which will allow up to 5,170 units for the subject property and the 11,000 units within the Dougherty Valley Specific Plan. Both the developers for this project and Contra Costa County have recently had a traffic study performed for this project area, which did not reveal a negative impact for the development of this project and maximum build-out can proceed for this project.

This property transferred to the Windemere BLC Land Company LLC, on April 13, 2000 for a purchase price of approximately $165,000,000. This sale represents the culmination of a two-year option agreement for this property. Prior to this sale Windemere Ranch Partners owned the property, who successfully entitled the property over a 13-year period. The purchase price for this property was originally negotiated in 1998. Also, there was uncertainty regarding the future entitlements (water availability) at this time. The issues regarding water entitlements were resolved in January 2000, and market conditions have improved considerably since the original period the price for this property was negotiated. In addition, this purchase price includes acquisition of the entire project prior to site development.

This project is presently encumbered with bonds for the Windemere Ranch Assessment District 1999-1 Series 1999 Bonds. There has been $125,000,000 in bonds issued for this project as of the effective date of valuation. In addition, this property is proposed for up to an additional $45,000,000 in bonds for this project.

Development of this property will include three regional and national developers including Lennar Communities (dba Greystone Homes), Centex Homes, and Brookfield Homes. All of these entities comprise the Windemere BLC Land Company. It was reported by each of these parties that they intend of building out the majority of this site. The overall phasing of this project is being constantly reviewed based on the lot distribution and this appraisal was based on the most recent information provided for review in preparation of this assignment The descriptions of the overall project are based on the Conceptual Neighborhood Map as prepared by Carlson, Barbee & Gibson, Inc., dated March 17, 2004. A summary of the land-uses, as identified in each phase of development and the proposed development timing is as follows.

Phase 2: The overall orientation of this community is generally along the northern and southern portions of Windemere Parkway, east of the land uses identified in Phases 1A and 1B of this project. There are 448 detached lots in this phase of development and site development (backbone and in-tract) improvements have been completed to these lots. There are no affordable housing restrictions for this property as it is identified for market rate units. The distribution of lots for detached single-family residential development within this phase of development is as follows.

Introduction (Continued)

Village	Ownership	# of Lots	Typical Lot Size
Village 20	Centex Homes	76 Lots	4,050 sf (45' x 90')
Village 21	Greystone Homes	55 Lots	4,000 sf (50' x 80')
Village 22	Brookfield Homes	69 Lots	4,500 sf (50' x 90')
Village 23	Centex Homes	77 Lots	5,500 sf (55' x 100')
Village 24	Brookfield Homes	68 Lots	5,850 sf (65' x 90')
Village 25	Greystone Homes	103 Lots	6,000 sf (60' x 100')
TOTALS		**448 Lots**	

Finished lots for this phase ranges in size from approximately 4,000 (50' x 80') to 8,050 (70' x 115') square feet. Initial home construction of the model homes in this project area has commenced as of the effective date of valuation. All of these lots within this phase of community were acquired by the home building entities in November 2003. A summary of these transactions are as follows.

Village Reference	# of Lots	Typical Lot Size	Purchase Price	Price per Finished Lot
20 – Centex	76	45' x 90' – 4,050 sf	$23,628,169	$310,897 / Finished Lot
21 – Greystone	55	50' x 80' – 4,000 sf	$17,128,246	$311,423 / Finished Lot
22 – Brookfield	69	50' x 90' – 4,500 sf	$21,993,633	$318,748 / Finished Lot
23 – Centex	77	55' x 100' – 5,500 sf	$26,719,603	$347,008 / Finished Lot
24 – Brookfield	68	65' x 90' – 5,850 sf	$23,766,458	$349,507 / Finished Lot
25 – Greystone	103	60' x 100' – 6,000 sf	$41,531,093	$403,214 / Finished Lot
TOTALS	**448**		**$154,767,202**	**$345,463 / Finished Lot**

Phase 4: The overall orientation of this project represents the land uses configured along the northern and southern portion of East Branch Parkway, south of the land uses identified in Phase 1A, 1B, and 2. It is generally located at the southwestern portion of the project. There are 526 detached single-family residential lots identified within this phase of development, as well as a site for 91 courtyard homes and a townhouse site with 141 units. There are no affordable housing restrictions for this property as it is identified for market rate units. The distribution of lots for detached single-family residential development within this phase of development is as follows.

Village Reference	# of Lots	Typical Lot Size
32	103	45' x 90' – 4,050 sf
33	97	50' x 80' – 4,000 sf
34	94	50' x 90' – 4,500 sf
35	78	65' x 90' – 5,850 sf
36	79	55' x 100' – 5,500 sf
37	75	70' x 115' – 8,050 sf
DETACHED TOTALS	**526**	
39	91	Courtyard Homes
38	141	Townhouse
PHASE TOTALS	**758**	

In addition, this phase of development is proposed for the development of an elementary school, middle-school, and several interior parks. The elementary school identified in this phase of development will be developed concurrent with Phase 5 of this project. This project area has been rough-graded as of the effective date of valuation with the delivery of finished lots scheduled for December 2004. All of the residential lots within this phase of development have been placed under contract to the individual homebuilders identified under the Windemere BLC (Centex Homes, Greystone Homes, Brookfield Homes). A summary of the applicable purchase prices for these lots are as follows.

Introduction (Continued)

Village Reference	# of Lots	Typical Lot Size	Purchase Price	Price per Finished Lot
32 – Centex	103	45' x 90' – 4,050 sf	$31,335,414	$304,227 / Finished Lot
33 – Centex	97	50' x 80' – 4,000 sf	$29,495,998	$304,082 / Finished Lot
34 – Brookfield	94	50' x 90' – 4,500 sf	$31,764,481	$337,920 / Finished Lot
35 – Brookfield	78	65' x 90' – 5,850 sf	$27,369,461	$350,891 / Finished Lot
36 – Greystone	79	55' x 100' – 5,500 sf	$27,099,339	$343,030 / Finished Lot
37 – Greystone	75	70' x 115' – 8,050 sf	$29,532,573	$393,768 / Finished Lot
38– Centex	141	Townhouse	$18,000,000	$127,660 / Superpad
39 – Greystone	91	Courtyard	$28,000,000	$307,692 / Superpad
TOTALS	**758**		**$222,597,266**	**$293,664 / Lot**

Villages 32 through 37 were allocated among the three builders and sold based on a residual basis. In addition, it was reported that Villages 38 and 39 were bid among the three builders with the prices identified above based on the highest bid received for each of these project areas.

Phase 3: The overall orientation of this project represents the land uses configured along the northern portion of the entire project. It is non-contiguous to the properties identified in Phases 1A, 1B and 2. There are 384 detached single-family residential lots identified in this phase of development, as well as a site for 179 market-rate condominiums, and multi-family residential development for 293 units. There are affordable restrictions identified for this site and valuation of this component is beyond the scope of this appraisal. The distribution of lots for detached single-family residential development within this phase of development is as follows.

Village Reference	# of Lots	Typical Lot Size
28	83	45' x 85' – 3,825 sf
29	99	50' x 90' – 4,500 sf
30	99	55' x 100' – 5,500 sf
31	103	60' x 100' – 6,000 sf
DETACHED TOTALS	**384**	
27	179	Condominiums
PHASE TOTALS	**563**	

Finished lots for this phase ranges in size from approximately 3,825 (45' x 85') to 6,000 (60' x 100') square feet. In addition, this phase of development includes a site identified for the development of 179 units (condominium), with <u>no</u> affordable restrictions. This phase also includes the development of a high-school site and several interior parks. This project area has been rough-graded as of the effective date of valuation with the delivery of finished lots pushed back in time after Phase 4 and Phase 5A due to the necessity of a middle-school constructed within the community, as well as negotiations with the adjacent developer over the construction of a common bridge linking the two projects. The overall delivery of finished lots for this phase of development has been identified in December 2006.

Phase 5: The overall orientation of this project represents the land uses configured along the intersection of Windemere Parkway and East Branch Parkway. It is generally located at the southeastern portion of the project. This phase of development is devoted solely to detached single-family residential development, with the exception of the elementary school developed for this project (located in Phase 3). This project area was vacant as of the effective date of valuation. This project has been identified and segregated into two sub-phases of development identified as Phase 5A and 5B. Phase 5A includes the delivery of 601 finished lots by December 2005, with the balance of 275 lots by December 2007.

Introduction (Continued)

The distribution of lots for detached single-family residential development within this phase of development is as follows.

Village Reference	# of Lots	Typical Lot Size
PHASE 5A		
40	96	65' x 90' – 5,850 sf
41	114	38' x 96' – 3,648 sf
42	98	50' x 90' – 4,500 sf
43	84	50' x 80' – 4,000 sf
44	89	45' x 90' – 4,050 sf
45	80	60' x 100' – 6,000 sf
46	40	65' x 90' – 5,850 sf
SUBTOTALS	**601**	
PHASE 5B		
47	81	55' x 100' – 5,500 sf
48	88	60' x 100' – 6,000 sf
49	106	70' x 115' – 8,050 sf
SUBTOTALS	**275**	
Phase Totals	**876**	

There has been no allocation of lots to the individual homebuilders for this phase of development. This project area was vacant as of the effective date of valuation with initial construction of the backbone infrastructure scheduled to commence in 2005 with the anticipated delivery of finished lots (Phase 5A – 601 Lots) by December 2006 with the balance of 275 lots (Phase 5B – 275 Lots) by December 2007.

Overall, the properties included for the subject property include the following.

Phase	Single-Family Detached	Single-Family Attached	Multi-Family	Total
Phase 2	448	-0-	-0-	448
Phase 4	617	141	-0-	758
Phase 3	384	179	-0-	563
Phase 5	876	-0-	-0-	876
TOTALS	**2,325**	**320**	**-0-**	**2,645**

*Phase 4 Unit total of 617 units includes 91 courtyard lots

Values scenarios established for this property include an "as is" value for each phase of development, as well as for each village (20..25) for Phase 2 only. The opinions of value for the remaining phases were developed by the Income Approach through a discounted cash flow analysis. Revenues were based on the contributing value of finished sites ready for completion of development of production homes. Once these values have been established, an absorption rate based on the appropriate sales of this project was developed. Once the revenues and absorption have been considered, the next step in the valuation of this property was consideration to the applicable fixed and variable costs associated with the development of this project. Fixed costs included "backbone" infrastructure costs, "in-tract" costs for the development of finished lots, and property taxes. Variable expenses considered in the cash flow models reflect costs allocated to sales and marketing, project overhead, and entrepreneurial profit. The profit component was analyzed in depth with market participants, in conjunction with the IRR projections, to derive adequate support based on this type of project.

CONTINGENT AND LIMITING CONDITIONS

The certification of the Appraiser appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraiser in the report.

- The Appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the Appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.

- Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The Appraiser has made no survey of the property.

- The Appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question unless arrangements have been previously made therefore.

- Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

- The Appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil or structures, which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.

- Information, estimates and opinions furnished to the Appraiser, and contained in this report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the Appraiser can be assumed by the Appraiser.

- Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of The Appraisal Institute.

- Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the Appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which the Appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the borrower, if appraisal fee paid by same, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the Appraiser; nor shall it be conveyed by anyone to the public relations, news, sales, or other media, without the written consent and approval of the Appraiser. Any party who uses or relies upon any information, without the preparer's written consent does so at their own risk.

- On all appraisals, subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner.

- Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde foam insulation, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them.

- The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of the ADA in estimating the value of the property.

SPECIAL ASSUMPTIONS

- The opinions of value demonstrated in this report assume that the project will be developed in accordance with the mix of units as proposed for this project. The valuation of these components was based on a typical lot size as the actual land areas for the individual villages was not provided for review in preparation of this assignment.

- We have verified the entitlements for the development to the best of our ability. Nevertheless, the opinions of value demonstrated in this report assume that all entitlements are in-place for the development of this project, and that there will be services provided to the site, as proposed.

- The market absorption developed in this analysis, assumes that this project will be built-out by three developers. In addition, it assumes that no growth management approvals are issued placing a ceiling on the maximum potential absorption for this project.

- The "backbone" infrastructure development costs provided by the developer are at a similar cost to those provided for review in this analysis. Reliance has been placed on these costs and any deviation impacts the opinion of value.

- The "in-tract" improvement costs provided by the developer are at a similar cost to those provided for review in this analysis. Reliance has been placed on these costs and any deviation impacts the opinion of value.

- The tentative map for Phases 3-5 will be approved in a timely manner consistent with the Dougherty Valley Specific Plan. There are entitlements for the development of these phases, however the opinions of value demonstrated in this report assume that there are no unforeseen delays in the processing of this map.

- The appraisers have noted to the best of our abilities, the findings associated with wetlands and endangered species. We are not experts in either field and do not warrant any findings with these elements. Issues noted above reflect summaries of information gathered in preparation of this assignment. The opinions of value demonstrated in this report are based on the assumption that there is no impact from either wetlands or endangered species located on the subject property.

- The nature, manner and overall timing of development is based on development plans provided at the time of this appraisal by the project developer. The project developer has informed the appraisers, however, that because the entitlements are being processed for Phases 3-5 simultaneously, and because of the extended development time associated with Phases 3 and 5, the nature, manner, and timing of actual development of the project may vary. The project developer has informed the appraisers that the development plans provided to the appraisers accurately describe its current development plans.

- The applicable development cost estimates in this appraisal assume Mello-Roos special tax bonds will be issued with respect to Phases 2-5 of Windemere Ranch as a result of formation of ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch), and that the following bond proceeds will be available to reimburse the project developer for construction of public improvements. (a) Approximately $23.6 million as a result of a first series of bonds to be issued in June 2004 and (b) approximately $6.8 million from a second series anticipated to be sold in 2006. Although this appraisal assumes that the second series of bonds will be issued, it should be noted that there are no assurances that a second series of bonds will be issued and, as a result, the $6.8 million anticipated to be generated by a second series of bonds might not be available, in which case the project developer would bear those costs.

CERTIFICATION

The Appraiser certifies and agrees that:

- I have no present or contemplated future interest in the property appraised; and neither the employment to make the appraisal, nor the compensation for it, is contingent upon the appraised value of the property. The appraisal was not based on a required minimum valuation, specific valuation, or the approval of a loan.
- I have no personal interest in or bias with respect to the subject matter of the appraisal report or the participants to the sale. The "Opinions of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
- I have personally inspected the property and have made an exterior inspection of all comparable sales listed in the report. To the best of my knowledge and belief, all statements and information in this report are true and correct, and I have not knowingly withheld any significant information.
- All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analysis, opinions, and conclusions contained in the report).
- This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Office of the Controller of the Currency's (OCC) Minimum Appraisal Standards. The Departure provision of USPAP was not utilized in the preparation of this report.
- All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the Appraiser whose signature appears on the appraisal report. No change of any item in the appraisal report shall be made by anyone other than the Appraiser, and the Appraiser shall have no responsibility for any such unauthorized change.
- My educational background, appraisal experience and knowledge is sufficient to appraise the type of property being valued in this report, and that no other appraiser has provided significant professional assistance in the completion of this report unless otherwise noted.
- I have made an independent value judgment of the subject property.
- I have no current, or potential, conflict of interest involving, but not limited to; existing/former relationships/affiliations of any kind with listing/selling brokers, leasing agents, major tenants, past present or contemplated litigation or other situations/facts that might create an appearance contrary to an absolutely independent report and opinion of value.
- I possess the knowledge and required ability to appraise the subject property. It is within Smith & Associates, Inc. defined general service area and the appraiser has the required resources to appraise the subject property. Over the years, I have appraised numerous proposed residential properties throughout northern and central California. Please refer to the statement of qualifications contained in the addenda of this report.

John E. Carrothers
State Certified General Real Estate Appraiser
AG 014187, Expiration 4/11/05

5-5-04
Date

CERTIFICATION

The Appraiser certifies and agrees that:

- I have no present or contemplated future interest in the property appraised; and neither the employment to make the appraisal, nor the compensation for it, is contingent upon the appraised value of the property. The appraisal was not based on a required minimum valuation, specific valuation, or the approval of a loan.

- I have no personal interest in or bias with respect to the subject matter of the appraisal report or the participants to the sale. The "Opinions of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.

- I have personally inspected the property. To the best of my knowledge and belief, all statements and information in this report are true and correct, and I have not knowingly withheld any significant information.

- All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analysis, opinions, and conclusions contained in the report).

- This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the date of this appraisal report, I have met the continuing education requirements for the Appraisal Institute.

- My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Office of the Controller of the Currency's (OCC) Minimum Appraisal Standards. The Departure provision of USPAP was not utilized in the preparation of this report.

- All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the Appraiser whose signature appears on the appraisal report. No change of any item in the appraisal report shall be made by anyone other than the Appraiser, and the Appraiser shall have no responsibility for any such unauthorized change.

- My educational background, appraisal experience and knowledge is sufficient to appraise the type of property being valued in this report, and that no other appraiser has provided significant professional assistance in the completion of this report unless otherwise noted.

- I have no current, or potential, conflict of interest involving, but not limited to; existing/former relationships/affiliations of any kind with listing/selling brokers, leasing agents, major tenants, past present or contemplated litigation or other situations/facts that might create an appearance contrary to an absolutely independent report and opinion of value.

- I possess the knowledge and required ability to appraise the subject property. It is within Smith & Associates, Inc. defined general service area and the appraiser has the required resources to appraise the subject property. Over the years, I have appraised and reviewed numerous proposed residential properties throughout northern and central California. Please refer to the statement of qualifications contained in the addenda of this report.

Dennis L. Smith, MAI
State Certified General Real Estate Appraiser
AG 002792, Expiration 02/01/06

5-5-04
Date

SUMMARY OF SALIENT FACTS AND VALUE CONCLUSIONS

Project Name:	Remaining lands at Windemere Ranch, an existing mixed-use master planned community.
Property Rights Appraised:	Fee Simple Estate
Property Location:	The subject property is generally located along the eastern terminus of Bollinger Canyon Road, west of Camino Tassajara, approximately ¼ miles north of the Contra Costa County/Alameda County line. This property is presently under county jurisdiction, but will be annexed into the City of San Ramon upon issuance of building permits. It lies within Census Tract 4507.12.
APNs:	The subject is presently identified by the Contra Costa County Assessor as the following parcel numbers. **223-010-006, 007** **223-090-006, 007, 008** **223-100-022, 023, 048..058** **223-280-001..080, 223-290-001..055, 223-300-001..071** **223-310-001..070, 233-320-001..079, 233-330-001..043** **223-340-001..063**
Current Ownership:	Windemere BLC Land Company, LLC
Site Description:	The parcels identified above reflect a portion of the project areas being appraised as once the final maps are recorded, the land area is significantly smaller for the properties due to the preponderance of open space throughout this project area. In addition, they include some parcels located in Phase 1 of this project, which is beyond the scope of this appraisal. Essentially, valuation for this property has been predicated on the typical unit size calculated for each village area for this project. The remaining 2,645 units proposed for this project encompass the subject of this report. This is a mixed-use master planned community with detached single-family residential, multi-family residential, and public serving land uses. The remaining development for this project is identified for three phases of development. Phase 2 of this project includes final map approval, whereas the remaining phases are currently in the planning process. It is clearly noted that the development of Phase 4 and Phase 5A are proposed by the developer as of the effective date of valuation prior to Phase 3 due to the necessity of a middle school for this project area, as well as the negotiations with the adjacent developer over the construction of a common bridge linking the two projects. Tentative maps have been submitted for all of the remaining phases of development. A summary of the applicable phasing for this project is as follows.

Phase 2 – 448 detached single-family residential lots for three separate ownerships. All site development to these lots has been completed and reflects finished lots as of the effective date of valuation. The following table summarizes the current ownership and description of the lots within this phase of development.

Village	Ownership	# of Lots	Typical Lot Size
Village 20	Centex Homes	76 Lots	4,050 sf (45' x 90')
Village 21	Greystone Homes	55 Lots	4,000 sf (50' x 80')
Village 22	Brookfield Homes	69 Lots	4,500 sf (50' x 90')
Village 23	Centex Homes	77 Lots	5,500 sf (55' x 100')
Village 24	Brookfield Homes	68 Lots	5,850 sf (65' x 90')
Village 25	Greystone Homes	103 Lots	6,000 sf (60' x 100')
TOTALS		**448 Lots**	

Finished lots for this phase ranges in size from approximately 4,000 (50' x 80') to 8,050 (70' x 115') square feet. Initial home construction of the model homes in this project area has commenced as of the effective date of valuation.

Phase 4 – 526 detached single-family residential lots, 91 courtyard homes, 141 attached lots. Finished lots for this phase ranges in size from approximately 4,000 (50' x 80') to 8,050 (70' x 115') square feet. In addition, this phase of development includes a site identified for the development of 141 units (townhouse) and 91 units (courtyard) with no affordable restrictions. Overall, there are 758 market-rate units proposed for this phase of development. In addition, this phase of development is proposed for the development of an elementary school, middle-school, and several interior parks. The elementary school identified in this phase of development will be developed concurrent with Phase 5 of this project. This project area has been rough-graded as of the effective date of valuation with the delivery of finished lots scheduled for December 2004. All of the residential lots within this phase of development have been placed under contract to the individual homebuilders identified under the Windemere BLC (Centex Homes, Greystone Homes, Brookfield Homes). Refer to the History of the Subject Property Section of this report for an illustration of the individual pricing.

Phase 3 – 384 detached single-family residential lots and 179 attached lots (condominium). Finished lots for this phase ranges in size from approximately 3,825 (45' x 85') to 6,000 (60' x 100') square feet. In addition, this phase of development includes a site identified for the development of 182 units (condominium), with no affordable restrictions. It also includes a multi-family site identified for the development of 293 units with various affordable restrictions. However, valuation of the multi-family component is beyond the scope of this appraisal. This phase also includes the development of a high-school site and several interior parks. This project area has been rough-graded as of the effective date of valuation with the delivery of finished lots pushed back in time after Phase 4 and Phase 5A due to the necessity of a middle-school constructed within the community, as well as the overall negotiations with the adjacent developer, Shapell Industries over the construction of a common area bridge linking the two projects. Delivery of finished lots has been identified in December 2006.

Phase 5 – 876 detached single-family residential lots. Finished lots for this phase ranges in size from approximately 3,648 (38' x 96') to 8,050 (70' x 115') square feet. This phase of development is devoted solely to detached single-family residential development, with the exception of the elementary school developed for this project (located in Phase 3). This project area was vacant as of the effective date of valuation. This project has been identified and segregated into two sub-phases of development identified as Phase 5A and 5B. Phase 5A includes the delivery of 601 finished lots by December 2005, with the balance of 275 lots by December 2007.

Overall, the properties included for the subject property include the following.

Phase	Single-Family Detached	Single-Family Attached	Multi-Family	Total
Phase 2	448	-0-	-0-	448
Phase 4	617	141	-0-	758
Phase 3	384	179	-0-	563
Phase 5	876	-0-	-0-	876
TOTALS	**2,325**	**320**	**-0-**	**2,645**

*Phase 4 Unit total of 617 units includes 91 courtyard lots

Planning Status/Zoning:	This property is presently zoned P-1, according to Contra Costa County Planning officials. Phase 2 of this project includes final map approval, whereas tentative maps have been submitted for all three remaining phases included in this analysis. All entitlements for this project have been processed under the Dougherty Valley Specific Plan.
Flood Zone:	The majority of this property is located within Zone C, an area of minimal flooding (no shading). However portions of this property are located in Zone A, along Alamo Creek. Given the size and nature of this property, development of this project along Alamo Creek will remediate any potential flood areas. Flood insurance is available, but not required.
Unusual Seismic Hazards:	The subject is not within an Alquist-Priolo special study area.
Environmental Conditions:	There were no obvious signs of potential contamination impacting the subject property. This property has been utilized for agricultural grazing purposes in the past. No environmental report was provided for review in this analysis. The appraiser's opinions are based on general observations and are not qualified to provide expertise in this field. Please refer to special assumptions.
Highest and Best Use:	
As Vacant	Based on the current market conditions present as of the effective date of valuation, development of the project in phases as identified in this analysis is reflective of the Highest and Best Use as vacant.
Effective Date of Valuation:	April 21, 2004 – "As is"
Date of the Appraisal:	May 5, 2004
Appraiser:	John E. Carrothers, AG014187, Expiration 04/11/05 Dennis L. Smith, MAI, AG002792, Expiration 02/01/06

OPINION OF VALUE CONCLUSIONS

Scenario: Opinion of Market Value for the entire project "As is" by Phase
Property Rights Appraised: Fee Simple Estate
Effective Date of Valuation: April 21, 2004

PHASE 2				
Reference	**Ownership**	**Description**	**Value**	**Marketing/Exposure Time**
Village 20	Centex Homes	76 Finished Lots	$25,460,000	3 Months
Village 21	Greystone Homes	55 Finished Lots	$18,425,000	3 Months
Village 22	Brookfield Homes	69 Finished Lots	$24,495,000	3 Months
Village 23	Centex Homes	77 Finished Lots	$28,875,000	3 Months
Village 24	Brookfield Homes	68 Finished Lots	$25,500,000	3 Months
Village 25	Greystone Homes	103 Finished Lots	$39,552,000	3 Months

This property recently transferred ownership in November 2003 to the ownerships identified above. The opinions of market value noted above are above the acquisition price for each village. However, these properties were acquired in late 2003 with prices predicated on home prices in this time frame. As illustrated throughout this report, home prices have significantly escalated over the past six months, raising underlying land values upward

REMAINING PHASES – PHASES 4, 3, and 5			
Reference	**Description**	**Value**	**Marketing/Exposure Time**
Phase 4	Vacant Land for 526 Detached Lots, 91 Cottage Lots, and 141 Attached Lots (Townhouse)	$115,000,000	9 Months
Phase 3	Vacant Land for 384 Detached Lots, and 179 Attached Lots (Condominium)	$30,600,000	9 Months
Phase 5	876 Detached lots in two phases of development comprises of 601 lots in Phase 5A and 275 Lots in Phase 5B	$102,500,000	9 Months

The opinions of value noted above are presented in conjunction with the special assumptions of this report.

PART I - INTRODUCTION

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property is generally located along the eastern terminus of Bollinger Canyon Road, west of Camino Tassajara, approximately ¼ miles north of the Contra Costa County/Alameda County line. This property is presently under county jurisdiction, but will be annexed into the City of San Ramon upon issuance of building permits. It lies within Census Tract 4507.21. This property is located in the Dougherty Valley Specific Plan area which represents a total of 11,000 residential units at completion. Essentially, this is one of the last, expansive land areas for residential development in the East Bay. The overall project, Windemere Ranch, is an existing mixed-use, master planned community with a total of 2,320 gross acres identified for the development of 5,170 residential units and 15.62 acres of commercial land at completion. Development has commenced for this project including release of production home subdivisions in 2002. This project encompasses the remaining 2,645 units proposed for this project.

The subject is presently identified by the Contra Costa County Assessor as the following parcel numbers.

223-010-006, 007
223-090-006, 007, 008
223-100-022, 023, 048..058
223-280-001..080, 223-290-001..055, 223-300-001..071
223-310-001..070, 233-320-001..079, 233-330-001..043
223-340-001..063

It should be noted that the subject reflects a portion of these parcels as the recordation of the final maps creates a smaller land area for these properties. The legal description for this property is lengthy. It is included within the addenda of this report. In addition, descriptions for the individual phases for this project and the overall land uses are based on the Conceptual Neighborhood Map as prepared by Carlson, Barbee & Gibson, Inc., dated March 17, 2004.

PROPERTY RIGHTS AND INTERESTS DEFINED

Property Rights Appraised

Fee simple subject to easements, restrictions and/or reservations. This is defined as *"An absolute fee; a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power and taxation. An inheritable estate."*[1]

Market Value

As found in the 2003 edition of USPAP, the definition of Market Value is:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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[1] The Appraisal of Real Estate, Eleventh Edition, Appraisal Institute, Page 7.

a. buyer and seller are typically motivated;
b. both parties are well informed or well advised, and acting in what they consider their own best interests;
c. a reasonable time is allowed for exposure in the open market;
d. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
e. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

Definitions applicable to this appraisal include the following.

"As is" Premise
The value that represents the estimate of market value of a property in the condition observed upon inspection as it physically and legally exists without hypothetical conditions, assumptions, or questions as of the date the appraisal is prepared.[2]

Bulk Appraisal Premise
The bulk appraisal premise represents the opinion of Market Value that would be realized if a single buyer purchased multiple individual units of realty from a single seller. That is, it is the opinion of value of a number of parcels of realty sold as a single package to a single buyer in a transaction on the effective date of valuation. It is not the sum of the individual retail values.

"Backbone Infrastructure"
"Backbone" infrastructure as mentioned throughout this report generally includes all of the applicable costs identified for the entire development including roadways, sewer and water extensions, planning and engineering, etc. The costs and subsequent items included for the "backbone" infrastructure are summarized in the *Project Overview* section of this report.

"Superpad"
A "superpad" in the context of this appraisal reflects the physical condition of the site at completion of the "backbone" infrastructure.

"In-Tract" Costs
"In-tract" costs as identified in this appraisal reflect the applicable costs to create finished lots. Essentially, they reflect the costs for the detached, single-family residential components from a "superpad" to finished lots.

Finished Lots
Finished lots in the context of this appraisal reflect the physical condition of the site at completion of both the "backbone" infrastructure and the "in-tract" costs. It is clearly noted that building permits and impact fees are associated with home construction and have been included in the developer's calculations for land acquisition of each individual village as identified in this analysis.

[2] Appraisal Policies and Practices of Insured Institutions and Service Corporations, Federal Home Loan Bank Board "Final Rule", 12 CFR Parts 563 and 571, dated December 21, 1987.

PURPOSE AND FUNCTION OF THE APPRAISAL

The purpose of this report is to provide an opinion of the market value under numerous scenarios. The following is a summary of the parameters for valuation of this appraisal.

- *Market Value "As Is"* – This scenario reflects the opinion of value for the entire project as it legally and physically exists as of the effective date of valuation. At the request of the client, this has been allocated as follows.

  A. Phase 2 – Value as finished lot for each ownership group
  B. Phases 4, 3, and 5 – Values presented as each phase

The property rights appraised under all of the scenarios are indicative of the fee simple estate. The function of this report is for the exclusive use of the ABAG Finance Authority to aid in consideration of this project as collateral for bond financing.

EFFECTIVE DATE OF VALUATION

"As is"	April 21, 2004 (Final date of Inspection)
Date of Report	May 5, 2004

SCOPE OF THE APPRAISAL

This report is a complete appraisal conveyed through a self contained appraisal report prepared in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP), and in accordance with the Federal Reserve Board (FRB); the Uniform Standards of Professional Appraisal Practice as adopted by the Appraisal Foundation (12 CFR Part 34, Subpart).

The appraisal process required researching the area for appropriate market information applicable to the subject property. This included an overview of the region, city and neighborhood, as well as an identification of those factors that impact the value and appeal of the subject property. Given the nature of this property, several steps were necessary to arrive at an opinion of value. Activities undertaken in the course of this appraisal included the following.

- A physical inspection of the property and surrounding neighborhood on April 15, 2004 and the final date of inspection, April 21, 2004.

- Interviews with the developer's representative, Don Larson, during several meetings in order to properly identify the subject property and property being appraised in this analysis.

- Discussions with various government agencies to identify total number of residential units developed, or anticipated for development in the immediate areas over the next 5 years.

- Collection of land sales, absorption characteristics, cost factors and other various items necessary to complete this appraisal, relative to the valuation problem.

- Compilation and discussions of the reasoning with logical explanations utilized to derive an opinion of value.

OWNERSHIP AND HISTORY OF THE PROPERTY

Title to the subject property is presently vested to Windemere BLC Land Company LLC, a California limited liability company. They acquired title on April 13, 2000, from Windemere Ranch Partners, a California limited partnership. The total purchase price according to the closing statement reviewed by the appraiser was $164,250,161. Terms were all cash, reflective of an arms-length transaction.

Given the size and nature of this property, it has been a long process to eventually receive entitlements for development. Title to the property was initially acquired by Windemere Ranch Partners in 1996, who initiated the development process for the site. In 1996, the partnership entered into a development agreement with Contra Costa County that will allow 5,170 residential units. The tentative map for Phase 1 was approved at this time. But, after this approval, litigation over water servicing the property stalled construction and processing of this property. The current owners of this property entered into an option agreement on May 22, 1998 for the purchase of this property. Several option payments were paid through January 2000, when the option agreement became a purchase contract. This was concurrent with the final settlement for the water rights servicing the property. This lead to the transfer of this property recorded on April 13, 2000. This recent transaction for the subject property will be compared to the opinion of market value demonstrated later in this report. However, it is reflective of a transaction in which the buyers incurred some entitlement risk, as option payments were non-refundable. Also, the developers also acquired the adjacent land areas identified as the "Silva" Property. Acquisition of this property ultimately provides access of the project to Tassajara Road.

In addition to this recent sale, there were purchase contracts executed to the three homebuilders identified in this report from the Windemere BLC to the individual companies including Lennar Communities (dba Greystone Homes), Centex Homes, and Brookfield Homes. These contracts are based on the transfer of finished lots in the development. As noted throughout this report, there has been the sale of 1,378 detached residential lots sold to builders, 302 attached units for condominiums and townhouses, 1,000 units for affordable multi-family development, and all of the commercial land components. Sales within this project began with Phase 1A. The following is a summation of all of the sales within this project beginning with this phase of development.

Phase 1A

This phase included 628 detached units within this community, as well as a site for 160 townhomes, and 142 condominium units. The following table illustrates the applicable purchases prices.

Village Reference	# of Lots	Typical Lot Size	Purchase Price	Price per Finished Lot
10 – Centex	138	50' x 95' – 4,750 sf	$37,233,032	$269,805 / Finished Lot
11 – Greystone	68	60' x 100' – 6,000 sf	$21,525,099	$316,546 / Finished Lot
12 – Brookfield	46	55' x 100' – 5,500 sf	$13,956,520	$303,403 / Finished Lot
13 – Greystone	115	45' x 85' – 3,825 sf	$26,235,985	$228,139 / Finished Lot
15 – Greystone	96	50' x 80' – 4,000 sf	$23,372,802	$243,467 / Finished Lot
18 – Centex	64	45' x 85' – 3,825 sf	$14,600,987	$228,140 / Finished Lot
19 – Centex	101	43' x 67' – 2,881 sf	$19,893,506	$196,965 / Finished Lot
TOTALS	**628**		**$156,817,931**	**$249,710 / Finished Lot**

The three homebuilders have acquired 628 finished lots identified within Phase 1A of this project. All of these transactions closed escrow in December 2001, which demonstrate an average price of $249,710 per finished lot. In addition, other portions of Phase 1A have been sold including the applicable multi-family sites. A summary of these transactions is as follows.

Village Reference	# of Lots	Product Type	Purchase Price	Price per Unit
VC – Walk Ups (Brookfield)	160	Townhouse Units – Market Rate	$15,651,040	$97,819 per unit
VC – Mansions (Western Pacific Housing)	142	Condominium Units – Market Rate	$10,858,000	$76,465 per unit
TOTALS	**302**		**$26,509,040**	**$87,778 / per Unit**

Both of these transactions were sold on a "superpad" basis. The transaction to Brookfield Homes is an internal transaction, whereas the sale to Western Pacific Housing is the only arms-length transaction to have taken place in this community. All of these projects have been developed with production housing.

Phase 1B

This phase included 302 detached units within this community, as well as a site for 1,000 affordable multi-family units. The detached units closed escrow in December 2002 and the following table summarizes the applicable purchase prices for these projects.

Village Reference	# of Lots	Typical Lot Size	Purchase Price	Price per Finished Lot
11 – Centex	10	60' x 100' – 6,000 sf	$3,610,532	$361,053 / Finished Lot
12 – Brookfield	17	55' x 100' – 5,500 sf	$5,543,151	$326,068 / Finished Lot
14 – Greystone	107	43' x 67' – 2,881 sf	$27,883,804	$260,596 / Finished Lot
16 – Brookfield	90	55' x 100' – 5,500 sf	$29,396,817	$326,631 / Finished Lot
17 – Centex	78	60' x 100' – 6,000 sf	$28,386,392	$363,928 / Finished Lot
TOTALS	**302**		**$94,820,696**	**$313,976 / Finished Lot**

The three homebuilders have acquired 302 finished lots identified within Phase 1B of this project. All of these transactions closed escrow in December 2002, which demonstrate an average price of $313,976 per finished lot. In addition, other portions of Phase 1B have been sold including the applicable multi-family sites. In addition to the pending detached, single-family residential sales as noted above, the sites identified for multi-family development within Phase 1A of this project are presently encumbered by purchase contracts. The first of these sites includes an arms-length agreement identified for the development of 100 very-low income and 250 low-income requirements. According to the purchase contracted dated September 24, 2002, this property is being sold from the Windemere BLC Land Company LLC, to FF Realty, LLC, a Delaware limited liability company. The total purchase price identified for this site is $1,000,000 or approximately $2,857 per unit. No value was allocated for the "very-low" income requirements and the purchase price was based on the "low" income requirement. Essentially, this price was based on $4,000 per unit for the "low" income requirements. It is lower than most multi-family components identified in this area based on the affordable restrictions identified for this site.

The second of these sites includes an arms-length agreement identified for the development of 650 moderate income requirements. According to the purchase contracted dated August 7, 2002, this property is being sold from the Windemere BLC Land Company LLC, to FF Realty, LLC, a Delaware limited liability company. The total purchase price identified for this site is $22,625,200 or approximately $34,808 per unit.

The last component to sell within this phase was the transfer of the commercial land to Diablo Valley College. There was no money exchanged in this transaction as this district acquired a portion of this 15.62 acre property in exchange for reimbursement of in-tract improvements. It was reported that the total consideration was $6,000,000. The remainder of the commercial land is identified for public land uses and is not included in this analysis.

Phase 2

This phase included 448 detached units within this community. These units closed escrow in November 2003 and the following table summarizes the applicable purchase prices for these projects.

Village Reference	# of Lots	Typical Lot Size	Purchase Price	Price per Finished Lot
20 – Centex	76	45' x 90' – 4,050 sf	$23,628,169	$310,897 / Finished Lot
21 – Greystone	55	50' x 80' – 4,000 sf	$17,128,246	$311,423 / Finished Lot
22 – Brookfield	69	50' x 90' – 4,500 sf	$21,993,633	$318,748 / Finished Lot
23 – Centex	77	55' x 100' – 5,500 sf	$26,719,603	$347,008 / Finished Lot
24 – Brookfield	68	65' x 90' – 5,850 sf	$23,766,458	$349,507 / Finished Lot
25 – Greystone	103	60' x 100' – 6,000 sf	$41,531,093	$403,214 / Finished Lot
TOTALS	**448**		**$154,767,202**	**$345,463 / Finished Lot**

The three homebuilders have acquired 448 finished lots identified within Phase 2 of this project. All of these transactions closed escrow in November 2003, which demonstrate an average price of $345,463 per finished lot.

What is obvious as evidenced by these transactions is that values are trending upward. The following table summarizes the residential lot sales over time.

Phase Reference	# of Lots	Sale Date	Total Price	Average Price per Finished Lot
Phase 1A	628	December 2001	$156,817,931	$249,710 / Finished Lot
Phase 1B	302	December 2002	$94,820,696	$313,976 / Finished Lot
Phase 2	448	November 2003	$154,767,202	$345,463 / Finished Lot
TOTALS	**1,378**		**$406,405,829**	**$294,924 / Finished Lot**

As noted above, values increased 25.7% from 2001 to 2002, and a further increase of 10.03% from 2002 to 2003. Overall, since 2001 values have increased 38.3% for the detached residential components. While these transactions, by definition, are non arms-length transactions, they were reported to be based on market driven transactions and reflective of current market conditions.

Lastly, the overall pricing for Phase 4 has been identified for this project as this reflects the next phase of development to be acquired by the three individual builders. The following table summarizes the applicable lot prices for this phase of development.

Village Reference	# of Lots	Typical Lot Size	Purchase Price	Price per Finished Lot
32 – Centex	103	45' x 90' – 4,050 sf	$31,335,414	$304,227 / Finished Lot
33 – Centex	97	50' x 80' – 4,000 sf	$29,495,998	$304,082 / Finished Lot
34 – Brookfield	94	50' x 90' – 4,500 sf	$31,764,481	$337,920 / Finished Lot
35 – Brookfield	78	65' x 90' – 5,850 sf	$27,369,461	$350,891 / Finished Lot
36 – Greystone	79	55' x 100' – 5,500 sf	$27,099,339	$343,030 / Finished Lot
37 – Greystone	75	70' x 115' – 8,050 sf	$29,532,573	$393,768 / Finished Lot
39 – Greystone	91	45' x 70' – 3,150 sf	$28,000,000	$307,692 / Superpad
TOTALS	**617**		**$204,597,266**	**$331,600 / Lot**

The overall revenues for this phase of development are slightly lower than Phase II, however there is a preponderance of smaller lots within this phase. In addition, Village 38 is a townhouse site for 141 units, which is currently under contract to Centex Homes for a total price of $18,000,000 or approximately $127,660 per site based on a "superpad" condition.

No other transfers of ownership for this property have occurred over the past three years.

EXPOSURE/MARKETING TIME

The Appraisal Standards Board of the Appraisal Foundation defines exposure time as:

> *The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal report; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.*

Exposure time is different for various types of real estate and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient, and reasonable time, but also adequate, sufficient, and reasonable effort. This statement focuses on the time effort. The fact that exposure time is always presumed to occur prior to the effective date of the appraisal is substantiated by related facts in the appraisal process; supply/demand conditions as of the effective date of the appraisal; the analysis of historical sales information (sold after exposure and after completion of negotiations between buyer and seller); and the analysis of future income expectancy estimated from the effective date of the appraisal.[3]

For federally related transactions, all appraisals are required to report a reasonable marketing period for the subject property. Normal marketing period is the amount of time necessary to expose a property to the open market in order to achieve a sale. Implicit in this definition are the following characteristics: 1) The property will be actively exposed and aggressively marketed to potential purchasers through marketing channels commonly used by sellers of similar type properties; 2) A sale will be consummated under the terms and conditions of the definition of market value as stated in this report; 3) The property will be offered at a price reflecting the most probable markup over market value used by sellers of similar type properties. A discussion of both exposure and marketing time for the subject property is addressed after the reconciliation of values.

[3] Standards of Professional Appraisal Practice, 1996, Appraisal Institute, Page 75.

PART 2 - FACTUAL DESCRIPTIONS

REGIONAL DESCRIPTION

The subject property is located within Contra Costa County that is located in the northern portion of the State of California, and in the northern section of the San Francisco Bay Area. This county, as well as eight other surrounding counties comprises the San Francisco Bay Area. The other counties are San Francisco, Santa Clara, San Mateo, Alameda, Contra Costa, Napa, Solano, Sonoma, and Marin Counties.

Transportation

Contra Costa County has an extensive transportation system that includes Interstate 680 that traverses the county from north to south and intersects with State Highway 24 in Walnut Creek and State Highway 4 in Concord. Interstate 80 traverses the western portion of Contra Costa County in a north/south direction, providing access to the Bay Bridge and connecting the East Bay to Solano and Sacramento Counties. The Interstate 680/State Highway 24 corridors in central Contra Costa County have reached the end of an extensive improvement project that included either new or revised interchanges at many locations. This seven-phase project included the widening of Interstate 680 from San Ramon in the south to Martinez in the north, as well as the reconstruction of the interchange at the confluence of both freeways in Walnut Creek. The intent was to reduce congestion along this corridor, but is still a problem at peak commute hours.

In addition, the subject property is located in close proximity to Alameda County and Interstate 580. This represents the major east/west freeway for Alameda County, providing access to the San Joaquin Valley to the east and the greater San Francisco Bay area to the west. It also connects to Interstate 680 in the Pleasanton/Dublin area. In addition to the network of freeways, Contra Costa County is linked to the region by Bay Area Rapid Transit (BART), with stations in Alameda, Contra Costa, and San Francisco Counties. Recent expansion of the BART system includes the West Pittsburg/Bay Point Station, the Pleasanton/Dublin Station, and the December 1995 opening of the North Concord/Martinez station along Port Chicago Highway, and the February 1996 opening of a new station in Daly City (San Francisco County). To gain access to east Contra Costa County, the Willow Pass Grade was lowered to accommodate BART trains, and widening of the freeway. The location of the BART station at Pleasanton/Dublin is within 2 miles of the subject property accessible from Dougherty Road. This is considered a positive element due to the traffic congestion in the East Bay.

Population

The population of the San Francisco Bay Area is estimated to be near 6.8 million residents (2000), according to the Association of Bay Area Governments (ABAG) "Projections 2003", a forecast of the San Francisco Bay Area to the year 2030. It is projected to grow beyond 7.5 million residents by the year 2010 according to ABAG. The following chart depicts both population trends for the entire Bay Area. Per the U.S. Census Bureau, population growth and projections in the nine county areas since 2000 is displayed on the following table.

Location	**2000**	**2005**	**2010**	**2015**	**2020**	**2030**
Alameda County	1,443,741	1,534,400	1,594,900	1,652,700	1,718,500	1,888,300
Contra Costa County	948,816	1,013,200	1,071,700	1,129,300	1,185,200	1,257,300
Marin County	247,289	254,500	264,100	271,200	275,700	283,100
Napa County	124,279	132,800	140,000	145,300	149,800	153,400
San Francisco County	776,733	798,600	812,900	827,200	848,100	935,100
San Mateo County	707,161	734,100	756,400	785,200	813,300	845,900
Santa Clara County	1,682,585	1,788,300	1,887,400	1,977,700	2,089,400	2,274,200
Solano County	394,542	440,200	474,700	512,100	536,800	577,300
Sonoma County	458,614	497,800	525,400	539,500	551,500	565,700
Region	**6,783,760**	**7,193,900**	**7,527,500**	**7,840,200**	**8,168,300**	**8,780,300**

Source: ABAG Projections 2003

Starting with the development following the Gold Rush in the 1850s, the Bay Area's center was in San Francisco and Oakland. Since World War II, over the last 55 years, the Bay Area has decentralized and the configuration of urbanization has altered dramatically. This is most evident through analysis of the region's population growth. In 1940, 66 percent of the region's population lived in either Alameda or San Francisco County. By 2000, only 33 percent of the Bay Area's total population was living in these two counties. In 2030, this total is projected to decrease to only 32 percent.

The Bay Area continues to attract people from around the world to its warm climate, beautiful setting, recreational activities, top universities and career opportunities. According to ABAG Projections 2003, the population of the Bay Area will exceed 8.7 million people by 2030, an increase of 1.9 million from its current level (2000 Census). Santa Clara's population will top two millions residents by 2020. Alameda County will grow to 1.7 million and Contra Costa County will reach 1.2 million over the same time frame. Marin County is near the lower end of the counties due to growth restraints. The current population is projected to increase by 11.5 percent over the forecast period (2000-2020) or less than 1 percent per annum. In contrast, the entire region is projected to increase by 15.6 percent over the forecast period, accelerated by population growth in Solano and Napa Counties.

While population growth in the region is expected to be substantial, it will still occur at a rate that is far slower than the growth in Southern California and other portions of the state. The Bay Area has some of the highest housing costs in the nation. People's ability to afford housing has long been cited as a factor that limits the region's ability to grow. The high incomes of many people in this region are clearly intertwined with the high cost of housing. Nevertheless, when the comparison is made between household incomes and housing costs, the Bay Area remains one of the least affordable areas in the nation.

Several cities are the focus of the region's population change. San Jose, the most populous city in the region will grow by 404,600 people in the next 30 years. San Jose accounts for the majority of Santa Clara County's population throughout the forecast period. In the North Bay, Santa Rosa will add 51,450 people and Fairfield will add 48,200 people. Oakland will add 122,000 people to its population during the forecast period. While these cities are adding significantly to their populations, they have different characters. Oakland is the most traditionally urban city of the group. Fairfield is a suburban city that has grown significantly over the past decade. Santa Rose has an older urban downtown core. San Jose, although a major city, has retained a suburban character in many places and still contains significant tracts of undeveloped land.

While these cities are all adding significantly to their populations, they have different characters. Oakland is the most traditionally urban city of the group. Fairfield is a suburban city that has grown significantly over the past decade. Santa Rosa has an older urban downtown core. San Jose, although a major city, has retained a suburban character in many places and still contains significant tracts of undeveloped land.

In terms of population growth, the Bay Area is moderately behind California as a whole, as well as other areas in Northern California including the Sacramento region, as well as the San Joaquin Valley. Unlike these areas, there is not an abundant supply of land for future expansion, as growth in the Bay Area is impeded by topographical and geological constraints (mountain ranges, Pacific Ocean, San Francisco Bay, etc), as well as governmental policies. The resultant supply constraints positively impacts demand for residential properties.

Job Growth

According to ABAG, Projections 2003 there are 3,753,670 total jobs in the San Francisco Bay Area as of 2000. This is above the 3,206,080 total jobs noted for 1990, which equates to job growth of 1.5% (annualized) over the past decade. Projections for the year 2005 indicate 3,848,870 total jobs, an annual increase of slightly less than 1.0%. The following table summarizes the jobs by industry division for the entire Bay Area.

Industry	2000	2005	2010	2015	2020	2030
Agriculture, Mining	35,170	35,390	35,570	36,090	36,220	36,110
Construction	189,410	193,890	214,900	230,100	243,600	265,660
Manufacturing	539,220	542,630	588,100	635,200	664,260	731,940
*High Technology**	*288,940*	*287,350*	*313,190*	*344,800*	*361,900*	*397,950*
Transp., Comm., Utilities	210,000	216,550	236,060	251,740	266,960	290,510
Wholesale Trade	191,640	197,070	214,220	227,250	239,190	263,940
Retail Trade	594,620	607,770	655,560	702,050	741,540	817,290
F.I.R.E	249,920	259,090	283,280	301,100	318,330	345,780
Services	1,450,430	1,489,990	1,635,430	1,767,110	1,862,810	2,061,080
*Business Services**	*480,140*	*492,370*	*554,200*	*587,320*	*623,050*	*690,720*
Government	293,260	306,490	336,550	359,200	379,680	414,090
Total Jobs	**3,753,670**	**3,848,870**	**4,199,670**	**4,509,840**	**4,752,590**	**5,226,400**

**High Technology jobs are counted in Manufacturing and Business Service jobs counted in Services.*
Source: ABAG Projections 2003

In 1960 fifty-six (56) percent of all Bay Area jobs were in Alameda or San Francisco County. By the 1970s, early signs of job decentralization began to appear. Almost 34 percent of the job growth occurred in Santa Clara County, due to the early growth in electronics and instruments. The county experienced a 71 percent increase in jobs between 1960 and 1970. Both Santa Clara and Sonoma Counties had the greatest increase in jobs during the 1970s. Santa Clara County's share of total job growth jumped to 39 percent from 1970 to 1980.

Today, 39 percent of the region's jobs can be described as being part of the service sector. About 19 percent are in manufacturing or wholesale activities; 16 percent are in retail; and 26 percent are in other categories including government, construction, finance and agriculture. While some economic activities are concentrated in particular parts of the Bay Area, the economies in each county have generally become more diverse.

The Bay Area's economy is expected to generate a demand for about 1,472,730 new jobs over the period 2000 to 2030, approximately equal to the number of jobs added during the twenty years between 1980 and 2000. This reduction in growth in the long-term forecast is in part due to the changing demographics of the region. The Bay Area job outlook is transitioning in both the types of jobs, as well as their location. However, the Bay Area job picture has changed substantially over the past year. The dot.com bubble burst during 2000 and 2001. Predictions by some that we have entered the age of the "New Economy", where electronic commerce and a culture of innovation would allow higher levels of growth and free us from the periodic downturns of the business cycle have proven inaccurate. The events of September 11, 2001, have also cast a shadow over the nation's economic growth, at least in the short run. The following table illustrates the current allocation and future job growth in the Bay Area counties from 2000 to 2025.

County	2000	2005	2010	2015	2020	2030	% Change 2000-2030
Alameda	751,680	790,400	865,090	921,370	975,430	1,087,370	44.7%
Contra Costa	361,110	385,050	418,870	448,110	476,520	536,410	48.5%
Marin	122,960	125,290	134,100	144,590	151,930	163,980	33.4%
Napa	66,840	72,250	77,230	83,320	85,190	88,990	33.1%
San Francisco	634,430	635,480	686,480	728,220	755,870	815,680	28.6%
San Mateo	395,890	396,630	429,100	461,670	489,020	526,600	33.0%
Santa Clara	1,092,330	1,085,860	1,199,160	1,299,200	1,362,830	1,481,670	35.6%
Solano	123,210	133,640	146,770	160,640	172,380	204,680	66.1%
Sonoma	205,220	224,270	242,870	263,720	283,420	321,020	56.4%
Total	**3,753,670**	**3,848,870**	**4,199,670**	**4,509,840**	**4,752,590**	**5,226,400**	39.2%

Source: ABAG, Projections 2003

Despite the tragic events of September 11, 2001, the long term prospect for the Bay Area's economy continues to be optimistic. While growth in the number of jobs between 2000 and 2005 is expected to be limited in most of the region, the long-term forecast shows significant change. The engines of the region's economy continue to work. The region already has an unusually high concentration of computer electronics, telecommunications, and computer software jobs. Added to that, the Bay Area is one of the leading regions for biomedical research and development. Some of the nation's top universities and research institutions support these industries.

A wide variety of cultural institutions and natural settings attract a talented pool of people that in turn attracts jobs. As such, ABAG projects that the Bay Area will add nearly 1,180,000 jobs during the next thirty years.

Santa Clara County will see the largest increase in jobs over the ABAG forecast period. The county will add 389,340 jobs. Alameda County will see the second largest increase, adding over 335,690 jobs over the same time frame. Several cities in the region are the focus of the region's job growth. As a city, San Francisco will add the most jobs over the next 25 years, more than 162,000. San Jose's 132,000 rank second. The North Bay city of Santa Rosa will add more than 50,500 during the same period. The following table illustrates the job growth for the top 10 cities in terms of this comparison according to ABAG Projections 2002.

City	2000-2025 Change
San Francisco	162,050
San Jose	131,770
Santa Rosa	50,560
Oakland	49,550
Fremont	38,110
Sunnyvale	36,950
Santa Clara	34,300
Pleasanton	28,020
Livermore	25,440
Alameda	24,190

Source: ABAG Projections 2002

Accompanied with the job growth, the unemployment rate noticed in 2000 was one of lowest rates in the past decade. Layoffs and reductions in jobs due to the dot.com industry and recessionary environments of the economy quickly raised unemployment in 2001 through the initial parts of 2003. However, rates started dropping in 2003 generally a function of job recovery and the improving stock market. The following table identifies the current unemployment rate in the counties and MSA's delineated above.

Area	Mar. 2004	Feb. 2004	Jan. 2004	Mar. 2003
San Jose MSA (Santa Clara County)	6.8%	6.9%	7.1%	8.7%
San Francisco MSA (Marin, San Francisco, San Mateo)	5.0%	5.0%	5.1%	5.9%
Oakland MSA (Alameda, Contra Costa County)	5.9%	5.8%	5.9%	6.4%
Vallejo-Fairfield-Napa MSA (Solano, Napa County)	5.9%	5.8%	6.0%	5.7%
Santa Rosa PMSA (Sonoma County)	5.1%	5.1%	5.1%	5.0%

Source: State of California, Employment Development Department (EDD)

The unemployment rate in the various areas has been generally stabilized with some signs of recovery over the past few months. Unemployment spiked generally as a result from the slowdown in the current market, as well as layoffs from many major employers in the region from 2001 and into early 2003. Most recent indicators suggest reduced unemployment. Santa Clara County has dropped almost two basis points over the past year as job recovery in this area continues.

Housing / Residential Construction

The issuance of building permits has accelerated in 1996 and has maintained its velocity over the past five years. The following is a summary of the building permits issued in the San Francisco MSA over the past eight years.

Year	San Francisco MSA	California	%
2003	28,350	192,273	15%
2002	23,034	158,488	15%
2001	23,727	146,739	16%
2000	28,475	148,344	19%
1999	26,340	135,038	19%
1998	29,424	123,653	21%
1997	26,528	109,908	24%
1996	21,432	92,060	23%

Source: US Commerce Department, Bureau of the Census

The total issuance of building permits for the Bay Area increased to 21% to 24% of the total issuance for California from 1996 to 1998. This has leveled off over the past three years to 14% to 16% of the overall totals for California, but has averaged nearly 25,896 permits over the past four years. California's housing recovery rapidly accelerated in 1997 into 2000. Rising home prices and falling interest rates stimulated new housing construction to above the 100,000 mark for the 1st time in 1997, and has maintained the current pace. The 2003 levels of permits were a function of the generally strong housing market driven by record low interest rates.

The new home market has been less volatile, although significant increases have been noted over the past five years. The entire Bay Area has several barriers of entry, primarily dictated by the lack of future supply. The Bay Area counties have generally been developed over the past fifty years. Growth in the various counties has been dictated by topographical constraints including mountains and valleys, the Pacific Ocean and various bays' and inlets. This shortage of land creates a deficit for housing units in the Bay Area. The total number of projected households exceeds the total number of units according to ABAG, Projections 2002 by 45,580 units. The largest deficit is in Santa Clara County with a 26,480-unit shortage. The following chart summarizes the projected households versus the number of potential units in the Bay Area, based on data from 2000-2025.

County	Total Unconstrained Unit Potential	Projected New Households	Unit Potential Less Households
Alameda	82,870	88,310	(5,440)
Contra Costa	91,210	99,380	(8,170)
Marin	15,280	13,880	1,400
Napa	11,410	16,050	(4,640)
San Francisco	54,150	19,290	34,860
San Mateo	24,550	34,820	(10,270)
Santa Clara	102,830	129,310	(26,480)
Solano	45,340	60,930	(15,590)
Sonoma	38,750	50,010	(11,260)
Total	**466,390**	**511,970**	**(45,580)**

Source: ABAG, Projections 2002.

A positive factor influencing the subject property is the deficit of nearly 45,580 housing units in the forecast period. Development of this project likely captures significant buyers who would otherwise commute to other areas in the Bay Area. Essentially, this lack of supply generates demand, even in declining markets. The new home residential market has slowed in the past year, but is still fairly strong primarily due to the lack of supply. The following table identifies the current indicators for the new home residential market according to the Meyer's Group, Residential Market Monitor, Third Quarter 2003.

	MEDIAN DETACHED PRICE		TOTAL SALES (DETACHED AND ATTACHED)				
County	Price	Price/sf	Last 4 Qtrs.	Capture	Cur. Qtr.	Capture	Sales Rate
Alameda	$727,260	$244	2,000	15.8%	557	16.1%	4.18 / mo.
Contra Costa	$453,275	$183	4,504	35.5%	1,248	36.1%	4.81 / mo.
Santa Clara/San Mateo	$680,165	$267	3,111	24.5%	956	27.7%	4.17 / mo.
North Bay	$557,384	$226	1,632	12.9%	366	10.6%	3.60 / mo.
Solano County	$388,615	$193	1,440	11.4%	330	9.5%	4.80 / mo.
BAY AREA	**$524,561**	**$218**	**12,687**	**100%**	**3,457**	**100%**	**4.18 / mo.**

Source: Meyer's Group Residential Market Monitor – November 2003

The median home price for the entire Bay Area is $524,561 according to the most recent Meyer's Group Residential Market Monitor (November 2003). The median price increased 7.4% from the May 2003 projection of $488,301 the previous quarter, and is up 17.5% from the 2002 projection. Thanks to low mortgage rates and pent-up demand, the Bay Area new home market held steady despite a struggling local economy and continued job losses. Most indicators improved in the first quarter, and annualized sales increased 3% from last quarter to 12,687 sales.

Income Growth

Between 2000 and 2030, the mean household income in the Bay Area is expected to rise from $92,500 to $118,200. While income growth is expected to slow in the near future, it is expected to be close to 1 percent in household income over the forecast period. It is expected that the household incomes of various counties will converge slightly due to changes in each county's mix of jobs during the forecast period. According to ABAG Projections 2003, Marin County will continue to have the highest household income in the region. Solano County, although growing significantly, will continue to have the lowest average household income in the region. Actual mean household income for the Bay Area and projections through 2030 are displayed on the table below.

County	2000	2005	2010	2015	2020	2030	% Change 2000-2030
Alameda	$79,500	$79,500	$83,800	$88,100	$92,700	$102,400	28.8%
Contra Costa	$89,300	$89,300	$93,900	$98,700	$103,800	$114,600	28.3%
Marin	$112,500	$112,500	$118,200	$124,200	$130,000	$143,200	27.3%
Napa	$76,100	$76,100	$80,300	$84,500	$89,000	$98,800	29.8%
San Francisco	$87,400	$87,400	$91,900	$96,600	$101,000	$110,600	26.5%
San Mateo	$121,700	$121,700	$127,900	$134,400	$141,300	$156,100	28.3%
Santa Clara	$105,300	$105,300	$110,600	$116,300	$122,100	$134,600	27.8%
Solano	$69,300	$69,300	$72,900	$76,700	$80,800	$89,600	29.3%
Sonoma	$73,600	$73,600	$77,600	$81,500	$86,100	$95,300	29.5%
Total	**$92,500**	**$92,500**	**$97,100**	**$102,000**	**$107,200**	**$118,200**	**27.8%**

Source: ABAG Projections 2003

EAST BAY DESCRIPTION

The subject property is currently under the jurisdiction of unincorporated Contra Costa County, but after issuance of building permits will be annexed into the City of San Ramon. This county and the neighboring Alameda County comprise the area identified as the East Bay region. Contra Costa and Alameda counties have shorelines on the bay, and extend east approximately 25 to 30 miles in the direction of California's Central Valley. They are divided into western and eastern portions by foothills that run north and south. The western portion of Alameda County, which includes the region's central cities and much of the county's older commercial and residential development, is situated on the flatland adjacent to San Francisco Bay. Population and development density is greatest in this area, which is predominantly older and more urban in character. The eastern portion of the county is generally more mountainous and rural in nature, but is undergoing rapid growth at the present time. Due to the relative lack of developable land in the western portion, recent large-scale population increases and most of the new development has occurred in the eastern portion of the county.

The analysis for the East Bay presented in the following pages identifies is based on the individual cities and areas within the "Tri-Valley" area, which includes properties in southern Contra Costa County, as well as those in northern Alameda County. These areas generally include Danville, Walnut Creek, Alamo, and San Ramon in Contra Costa County, as well as Dublin, Pleasanton, and Livermore in Alameda County.

Population

Contra Costa County is the third highest region in the Bay Area in terms of total population, next to Santa Clara County and Alameda County. It is projected by ABAG Projections 2002 to include 948,816 residents in the year 2000. Concord is the most populous city in the county with about 124,467 residents. Alameda County is projected to include 1,443,741 residents in the year 2000. The following chart identified current population

Area	2000	2010	10-year growth rate Annualized %	2020	20-year growth rate Annualized %
CONTRA COSTA COUNTY	**948,816**	**1,071,700**	**1.30%**	**1,185,200**	**1.25%**
Danville**	42,958	45,400	0.57%	45,100	0.25%
San Ramon****	44,834	60,100	3.41%	78,800	3.79%
Walnut Creek**	78,848	85,300	0.82%	90,700	0.75%
Alamo-Blackhawk****	23,809	24,900	0.46%	24,900	0.23%
ALAMEDA COUNTY	**1,443,741**	**1,594,900**	**1.05%**	**1,718,500**	**0.95%**
Dublin**	30,007	47,500	5.83%	59,100	4.85%
Pleasanton**	65,058	79,200	2.17%	85,200	1.55%
Livermore****	73,841	90,400	2.24%	99,500	1.74%

* *(City)* ** *(City sphere of influence)* ****Urban Service Area* *****Other subregional area*

Source: ABAG Projections 2003

Contra Costa County's population grew considerably in the 1980s, resulting in substantial changes to its physical and economic environment. According to the U.S. Census Bureau, the county's population increased by more than 22 percent during the 1980s, or about 147,400 residents. Despite the economic downturn of the early 1990s, Contra Costa County continued to grow. From 1990 to 2000, the county added another 145,084 residents, representing an increase of approximately 18.05% or growth of 1.8% per annum. San Ramon is projected to have the highest population increase from the areas in Contra Costa County comprising the "Tri-Valley" area. It is projected to increase by 15,266 residents over the next ten years, or 3.41% in the short-term. This is largely attributed to the development of properties in the Dougherty Valley Specific Plan.

During the 2000-2020 period, Alameda County can expect a population increase of approximately 274,759 residents. This is a compounded annual growth rate of less than 1% per year. The Dublin area is projected for the highest percentage growth in the areas noted above at an annual rate of 5.83% over the next 10 years and 4.85% over the next 20 years. This is generally attributed to the recent introduction of land areas within the East Dublin Specific Plan Area and the cities willingness to accept new housing units.

Job Growth

Contra Costa County's economy added approximately 113,300 new jobs during the 1980s (56% growth rate), more than twice the growth rate for the overall Bay Area economy. Concord, San Ramon, and Walnut Creek became major business centers in the Bay Area. About 73 percent of the new jobs added in this county between 1985 and 1990 occurred in these areas. A substantial factor influencing this growth was the decentralization of office-related employment to San Ramon and Concord from other parts of the region, particularly San Francisco. In the early part of the 1990s, Contra Costa was hit hard by the recession, and was slow to shake off its effects. However, like the rest of the region, Contra Costa County eventually saw substantial job growth across its economy. As a result, the county added over 46,500 jobs during the 1990s. The majority of these jobs, over 28,800 were in the service sector, particularly the business services sector. While the manufacturing sector added over 1,700 jobs, it was the slowest growing category, adding about 5.5 percent more jobs during the 1990s. The following table illustrates jobs by industry sector for all of Contra Costa County, as well as projections as provided by ABAG.

Industry	2000	2005	2010	2015	2020	2030
Agriculture, Mining	3,590	3,590	3,590	3,550	3,550	3,510
Construction	23,560	25,060	27,170	28,030	29,470	33,360
Manufacturing	33,290	35,010	38,150	38,880	41,250	45,170
*High Technology**	*7,090*	*7,460*	*8,130*	*8,280*	*8,790*	*9,630*
Transp., Comm., Utilities	22,670	24,120	26,150	26,970	28,360	32,100
Wholesale Trade	12,380	13,010	14,180	14,340	15,310	17,000
Retail Trade	65,740	69,470	74,290	81,470	86,900	98,430
F.I.R.E	33,040	35,150	38,100	39,300	41,330	46,780
Services	139,230	150,260	165,400	182,710	195,780	220,950
*Business Services**	*44,610*	*48,150*	*54,650*	*62,160*	*68,560*	*79,580*
Government	27,610	29,380	31,840	32,860	34,570	39,100
Total Jobs	**361,110**	**385,050**	**418,870**	**448,110**	**476,520**	**536,410**

Source: ABAG, Projections 2003

Contra Costa County is projected to grow substantially over the forecast period (2000-2030). It will add 48.5 percent more jobs during that period. In total, the county is expected to add 175,300 jobs during the forecast period. Again, the largest number of jobs will be added in the service sector, with 81,720 jobs.

Job growth from 2000 to 2005 is projected to be significantly slower in Alameda County that during the proceeding few years. Demand for computer hardware software and services are more limited and all sectors will see slower growth. The transformation of Alameda County's economy will continue in the future. The following table illustrates jobs by industry sector for all of Alameda County, as well as projections as provided by ABAG.

Industry	2000	2005	2010	2015	2020	2030
Agriculture, Mining	3,460	3,460	3,500	3,440	3,480	3,540
Construction	34,770	36,490	40,480	42,870	45,350	50,230
Manufacturing	108,160	112,810	121,670	127,640	134,070	147,360
*High Technology**	*38,440*	*40,090*	*44,450*	*47,920*	*50,600*	*56,800*
Transp., Comm., Utilities	50,030	52,500	57,690	60,870	64,670	71,830
Wholesale Trade	55,130	57,490	62,190	64,740	68,170	75,150
Retail Trade	120,590	124,810	133,300	140,310	148,260	165,330
F.I.R.E	36,670	38,480	42,260	44,730	47,400	52,740
Services	268,770	286,610	318,500	346,670	368,650	416,330
*Business Services**	*76,670*	*81,760*	*90,860*	*98,890*	*105,160*	*118,760*
Government	74,100	77,750	85,500	90,100	95,380	104,860
Total Jobs	**751,680**	**790,400**	**865,090**	**921,370**	**975,430**	**1,087,370**

** High Technology jobs are counted in Manufacturing and Business Service jobs counted in Services.*
Source: ABAG Projections 2003

Over the 2000-2030 forecast period the service sector will add more than 147,560 jobs, with business services contributing more than 42,090 of that total. Retail sales jobs and manufacturing jobs, particularly high technology manufacturing, will also be leading sectors for growth. The Alameda County portion of the Tri-Valley area is made up of the communities of Dublin, Livermore, and Pleasanton is expected to capture 26.5 percent of the overall county job growth from 2000 and 2010. Total job growth in the areas with the "Tri-Valley" areas is summarized below.

Area	2000	2010	10-year Growth Rate Annualized %	2020	20-year Growth Rate Annualized %
CONTRA COSTA COUNTY	**361,110**	**418,870**	**1.60%**	**476,520**	**1.60%**
Danville**	10,150	11,880	1.70%	12,260	1.04%
San Ramon****	38,140	48,910	2.82%	58,910	2.72%
Walnut Creek**	61,240	67,770	1.07%	68,840	0.62%
Alamo-Blackhawk****	5,270	5,560	0.55%	6,110	0.80%
ALAMEDA COUNTY	**751,680**	**865,090**	**1.51%**	**975,430**	**1.49%**
Dublin**	21,870	28,450	3.01%	35,380	3.09%
Pleasanton**	54,110	65,580	2.12%	72,620	1.71%
Livermore****	40,360	50,370	2.48%	62,230	2.71%

** (City)   ** (City sphere of influence)   ***Urban Service Area   ****Other subregional area*
Source: ABAG Projections 2003

The City of San Ramon is projected to add 10,810 jobs in the next 10 years that translates to an annualized increase of 2.8% per annum over the ten-year forecast. Most of these jobs are in the services sector. Much of this job growth is tied to continuous expansion of Bishop Ranch. Annualized gains in employment growth are moderately higher in the Alameda County cities comprising the "Tri-Valley" area. Much of this growth is oriented within the Hacienda Business Park in Pleasanton, as well as Lawrence Livermore Laboratories in Livermore.

Job growth is somewhat tempered in this area based on recent increases region wide in unemployment. According to the State of California Economic Development Department (EDD), the present unemployment rate for the Oakland MSA (Alameda and Contra Costa Counties) is presently 5.9% (December 2003). This is below levels demonstrated for the entire country (6.0%) and the State of California (6.6%). It still seems to be suffering lingering effects of the overall economy. The current unemployment rate (March 2004), as well as historical rates for year-end over the past three years for the cities comprising the "Tri-Valley" community are as follows.

Area	2004 (Mar.)	2003	2002	2001	2000	1999
CONTRA COSTA COUNTY						
Danville**	2.6%	2.7%	2.5%	1.6%	1.3%	1.4%
San Ramon****	3.0%	3.1%	2.9%	1.8%	1.5%	1.7%
Walnut Creek**	3.5%	3.6%	3.4%	2.1%	1.8%	2.0%
Alamo-Blackhawk****	2.5%	2.6%	2.4%	1.5%	1.3%	1.4%
ALAMEDA COUNTY						
Dublin**	3.6%	4.0%	4.0%	2.6%	1.7%	2.0%
Pleasanton**	3.2%	3.5%	3.4%	2.3%	1.5%	1.7%
Livermore****	4.3%	4.7%	4.7%	3.1%	2.0%	2.4%

Unemployment rates in the area are impacted by effects of the national and overall economy. Nonetheless, all of the areas within the "Tri-Valley" area are below totals for the entire Bay Area, as well as Contra Costa and Alameda County as a whole.

Housing/Residential Construction

The issuance of building permits has been rapidly accelerated over the past year. The total number of single family residential permits issued in 1999 represents the highest total since 1989. The following table illustrates the total number of permits issued in Contra Costa and Alameda County since 1988.

	CONTRA COSTA COUNTY			ALAMEDA COUNTY		
Year	**Single-Family**	**Multi-Family**	**Total Units**	**Single-Family**	**Multi-Family**	**Total Units**
1988	5,876	2,228	8,104	3,417	3,135	6,552
1989	5,462	2,208	7,670	3,067	2,961	6,028
1990	3,132	1,149	4,281	1,633	1,365	2,998
1991	2,684	1,268	3,952	1,331	1,299	2,630
1992	3,279	620	3,899	2,337	741	3,078
1993	3,006	427	3,433	2,052	515	2,567
1994	3,680	189	3,869	2,352	776	3,128
1995	3,047	307	3,354	2,492	458	2,950
1996	3,137	415	3,552	3,102	796	3,898
1997	3,093	421	3,514	4,189	2,311	6,500
1998	3,143	1,106	4,249	3,774	2,123	5,889
1999	3,864	472	4,336	3,015	1,477	4,492
2000	4,185	1,294	5,479	3,071	983	4,054
2001	4,144	776	4,920	1,764	1,485	3,249
2002	5,071	37	5,108	2,501	54	2,555
2003	5,033	139	5,172	2,126	129	2,255

Source: US Census Bureau, 2003 information through December

Fluctuations of single-family permits over the past ten years shows the height of the new homes market in the late 1980s, the impact of the recession in 1991 and fairy stable permit activity since that time. Contra Costa County permit stability has occurred as a result of different areas within the county experiencing growth at different times. For instance, in the past few years San Ramon added a larger number of single-family units. In the mid-1990s, the same was true for the Antioch area. Currently, there is a growth trend occurring in the Brentwood-Oakley area. The lack of developable land in various areas of the county has contributed to variations and reductions of the number of permits issued.

Contra Costa County is relatively an inexpensive to live as compared to other communities in the Bay Area. However, similar to most communities in Northern California, home prices are escalating. According to the Meyer's Group Residential Survey, prices have increased dramatically over the past two years. The following table identifies the median base price for detached homes (new construction) in Contra Costa County over the past five years based on information derived from the Meyer's Group survey.

Year	Median Base Price	% Increase
1999	$295,950	--
2000	$326,213	10.2%
2001	$338,566	3.8%
2002	$419,500	23.9%
2003	$468,950	11.8%

**Source: Meyer's Group, Contra Costa County 1999-2003*

Conversely, Alameda County is generally one of the most expensive areas to live in all of California. According to the Meyer's Group Residential Survey, prices have increased dramatically over the past two years. The following table identifies the median base price for detached homes (new construction) in Alameda County over the past five years based on information derived from the Meyer's Group survey.

Year	Median Base Price	% Increase
1999	$423,495	–
2000	$614,497	45.1%
2001	$643,616	4.7%
2002	$691,687	7.4%
2003	$727,334	5.2%

**Source: Meyer's Group, Alameda County 1999-2003*

There is a significant variance in the average home pricing between Alameda and Contra Costa Counties. This is generally attributed to the abundance of vacant land in Eastern Contra Costa County. The table below illustrates the current average pricing in the communities which comprise the "Tri-Valley" area.

Area	Average Detached Pricing
CONTRA COSTA COUNTY	
Danville	$974,710
San Ramon	$747,168
Walnut Creek	$731,958
ALAMEDA COUNTY	
Dublin	$801,351
Pleasanton	$863,146
Livermore	$788,180

**Source: Meyer's Group, November 2003*

Based on review of the information identified in the most recent Meyer's Group survey, average detached pricing in the immediate area is generally priced from $750,000 to $900,000.

Income Growth

Both Contra Costa County and Alameda County are generally toward the middle of the nine counties, which comprise the Bay Area with respect to median household income. Between 1990 and 2000, the mean household income increased approximately 7.3% in Contra Costa County, whereas this income increased approximately 21.3% in Alameda County. Actual income and growth projections for Contra Costa County and Alameda County, as well as the cities identified in the "Tri-Valley" area are displayed on the table below.

Area	2000	2010	10-year growth rate Annualized %	2020	20-year growth rate Annualized %
CONTRA COSTA COUNTY	**$89,300**	**$93,900**	**0.52%**	**$103,800**	**0.81%**
Danville	$151,200	$168,700	1.16%	$194,000	1.42%
San Ramon	$118,900	$122,300	0.29%	$131,800	0.54%
Walnut Creek	$87,500	$89,900	0.27%	$98,500	0.63%
Alamo-Blackhawk	$211,600	$233,500	1.03%	$265,600	1.28%
ALAMEDA COUNTY	**$79,500**	**$83,800**	**0.54%**	**$92,700**	**0.83%**
Dublin	$96,200	$104,000	0.81%	$112,600	0.85%
Pleasanton	$123,300	$130,000	0.54%	$151,900	1.16%
Livermore	$94,900	$96,700	0.19%	$102,400	0.40%

Source: ABAG Projections 2003

Median income levels are projected to increase throughout the area. The largest percentage chance in the area is in Alamo-Blackhawk where the median home price is projected to increase by $21,900 per household over the next 10 years. Danville is close behind with an increase of $17,500 per household.

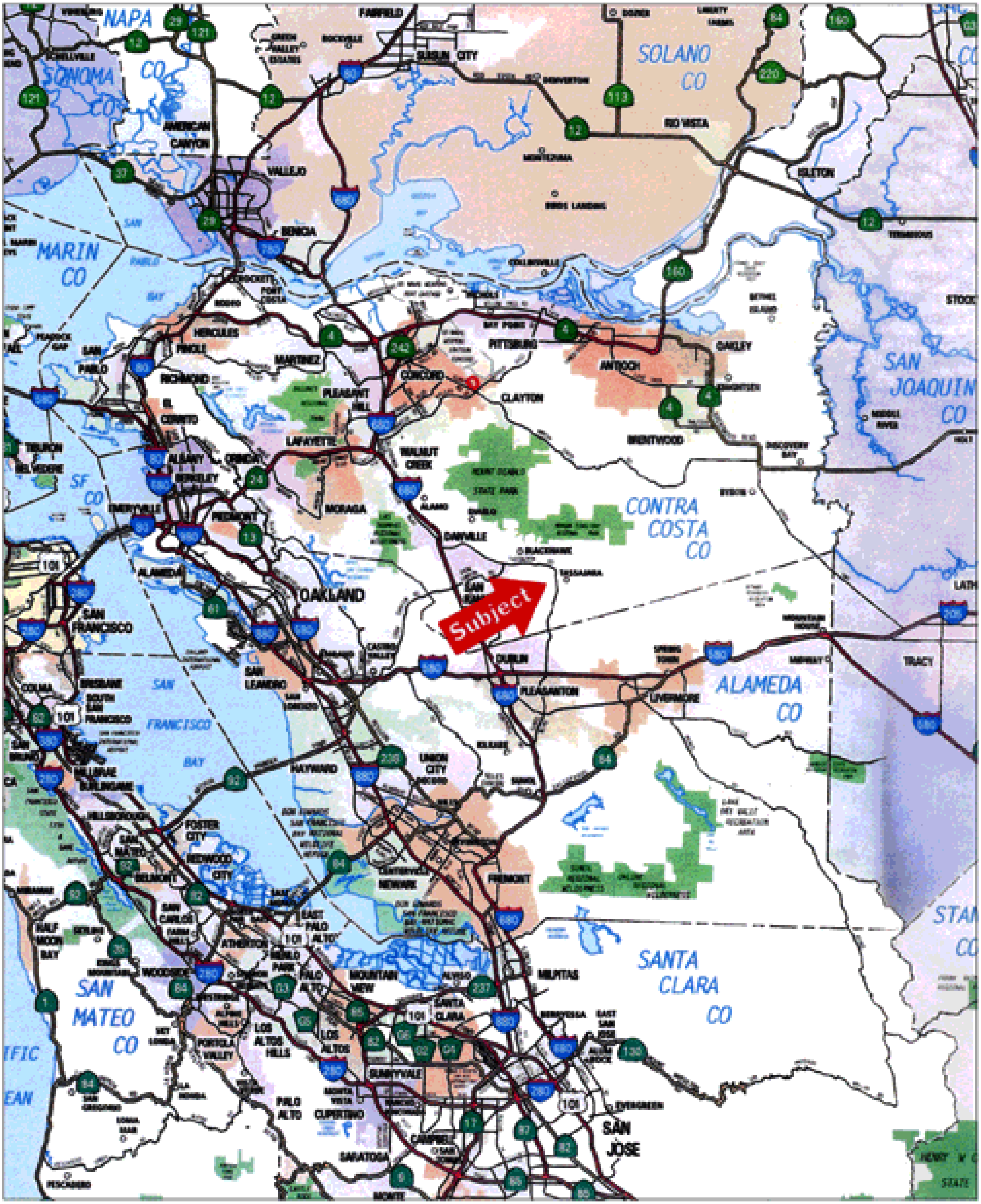
Conclusion

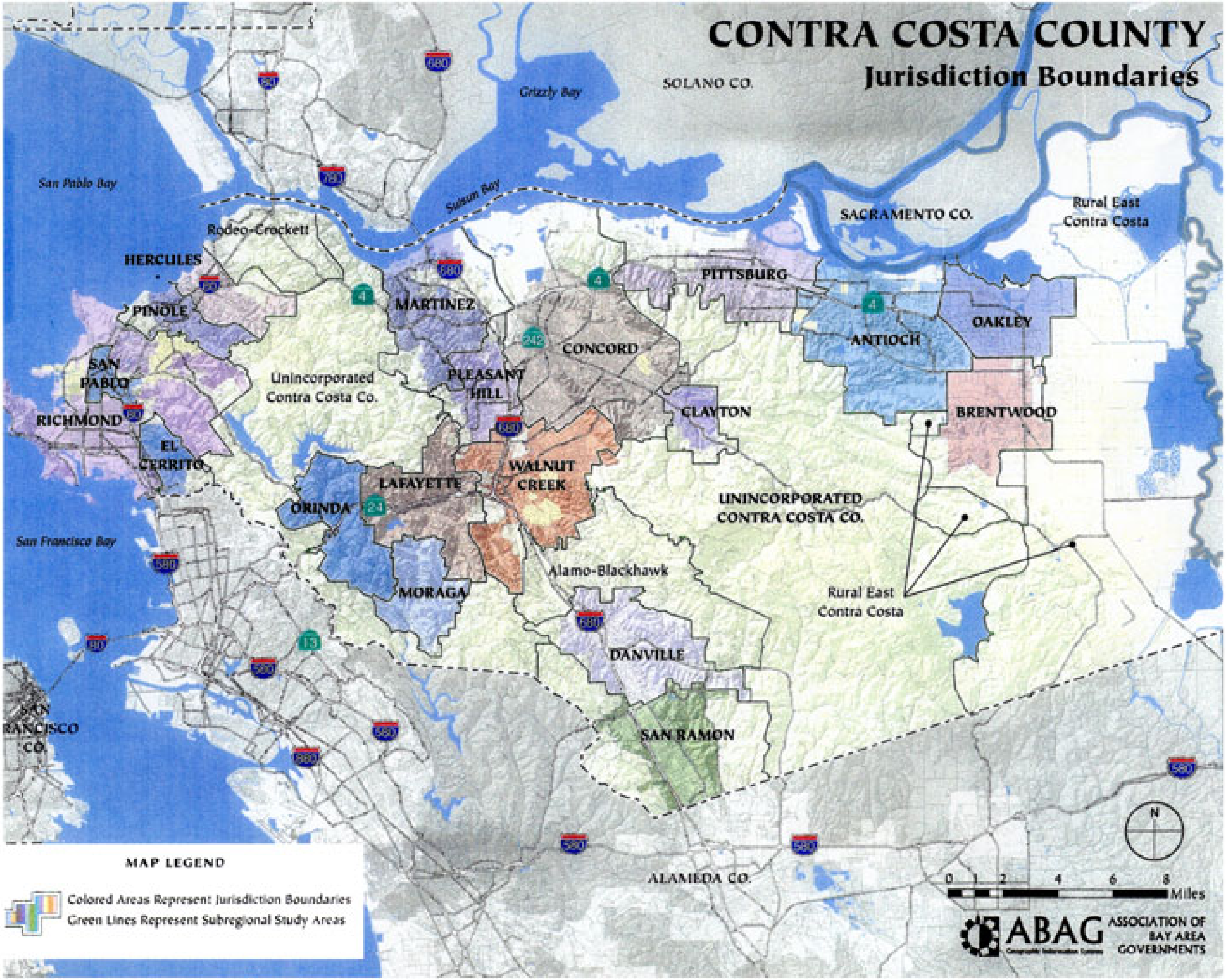
Contra Costa County is located in the center of the Bay Area and has a diversity of land uses including coastal property to the west, to agricultural nestled in the valleys and foothills. The county's economic structure will likely parallel that for the overall Bay Area with long term-restrained growth. Economic indicators such as job growth, unemployment rate, and income levels suggest that a period of growth of recovery is reflective of the present market environment, after a year of declining job growth driven by layoffs of many corporate reductions. Long-term, this county is expected to continue to grow as a commercial and residential center, with the majority of growth occurring in the eastern areas of the county. Significant office and commercial development along the Interstate 680 corridor in the 1980s provided an increasingly larger employment base for its residents. As such, the county is becoming increasingly urbanized, as evidenced by an increase in traffic along major highways.

Population growth in the "Tri-Valley" area is somewhat restricted by the lack of vacant land for future development, as well as governmental policies. Both Pleasanton and Livermore have growth restrictions, and Danville is very political in terms of new projects. Essentially, population growth will be at a pace seen in the past decade. The City of San Ramon (Contra Costa County) and Dublin (Alameda County) will have the highest population increase with increases projected at 3.4% and 5.83% per annum, respectively. Job growth in the "Tri-Valley" area has been unprecedented over the past five years with continued improvement into the next decade. The City of San Ramon (Contra Costa County) and Dublin (Alameda County) will have the highest job growth with increases projected at 2.82% and 3.00% per annum, respectively. Income growth is projected at a similar rate with increased projected throughout the region. This state of the economy is considered healthy at this time. The most notable improvement in this area is with respect to the appreciation in new homes. All of these areas have seen an increase from approximately 18% to 40% over the past two years, and has more than past levels seen in the late 1980s.

Based on these parameters both the short and long-term outlook for the area is considered to be positive despite the economic environment of the entire Bay Area. Larger metropolitan areas seem to have experienced a more dramatic impact as noted by unemployment rates and job reductions. However, the immediate area seems to be less impacted based on the diversification of the job base. Both Dublin and San Ramon appear to be major growth areas into the foreseeable future. Essentially, these two areas lack growth restrictions and have vacant land available for expansion.

REGIONAL MAP




CONTRA COSTA COUNTY
Jurisdiction Boundaries
SOLANO CO.
Grizzly Bay
San Pablo Bay
Suisun Bay
SACRAMENTO CO.
Rural East Contra Costa
Rodeo-Crockett
HERCULES
PINOLE
SAN PABLO
RICHMOND
EL CERRITO
MARTINEZ
CONCORD
PLEASANT HILL
PITTSBURG
ANTIOCH
OAKLEY
BRENTWOOD
CLAYTON
Unincorporated Contra Costa Co.
WALNUT CREEK
LAFAYETTE
ORINDA
MORAGA
UNINCORPORATED CONTRA COSTA CO.
Alamo-Blackhawk
DANVILLE
SAN RAMON
Rural East Contra Costa
San Francisco Bay
SAN FRANCISCO CO.
ALAMEDA CO.
MAP LEGEND
Colored Areas Represent Jurisdiction Boundaries
Green Lines Represent Subregional Study Areas
0 1 2 4 6 8 Miles
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ABAG ASSOCIATION OF BAY AREA GOVERNMENTS

AREA DESCRIPTION

City Overview

The subject property is located on the periphery of the City of San Ramon. It presently lies within an unincorporated area of Contra Costa County, but after issuance of building permits will be annexed into the city limits. Incorporated on July 1, 1983, the City of San Ramon is located in Contra Costa County on 21 square miles of the San Ramon Valley, approximately 25 miles east of the City of Oakland in the San Francisco Bay Area. The San Ramon Valley has been long been considered one of the most desirable living areas in the Bay Area because of its scenic beauty, climate, and proximity to the Bay Area's major employment centers.

The San Ramon Valley is one of three valleys comprising the "Tri-Valley" area. It is bordered by the Las Trampas Range of Foothills to the west, which is also the break between Contra Costa and Alameda Counties, and the Sherburne and Dougherty Hills to the east. The other two valleys include Amador Valley to the south and the Livermore Valley to the southeast. San Ramon is bordered by the cities of Dublin to the south, Danville to the north, open space to the west, and is bisected by Interstate 680 that runs through the valley in a north/south direction. The majority of development has occurred along the eastern side of the freeway.

Residential growth in San Ramon started in the 1970s and continued throughout the 1980s to facilitate employment growth in the East Bay, but primarily in work centers in Oakland and San Francisco. By the early 1980s, the construction of the Bishop Ranch Office Park transitioned this city into a regional employment center away from a traditional "bedroom" community. Development of this facility offered lower rental rates, parking, and access to an educated work force, which resulted in a higher job growth than population increase. Ultimately due to the availability of space, many large users including Chevron and Pacific Bell have headquarters in Bishop Ranch (2 million sf+). The office related growth continued throughout the 1980s, but was significantly slowed in the early 1990s as the recessionary environment impacted most areas.

Office growth and related uses (hotels, restaurants, retail uses) were pronounced through the 1980s. This slowed in the beginning of the 1990s, as most communities throughout the region. In the present climate, there is tremendous growth and development of these facilities once again.

Transportation

San Ramon is located southeast of the geographic center of the Bay Area, which is considered to be the City of Oakland. It is approximately 45 to 60 minutes from downtown San Francisco, and is within a 20 to 30 minute commute from many population and employment centers, such as Walnut Creek, Concord, Hayward, Livermore and Oakland. Freeway access is provided by Interstate 680 that connects with Interstate 580 and State Highway 24. The major north/south surface streets are San Ramon Valley Boulevard on the west side of Interstate 680, and Alcosta Boulevard and Camino Ramon on the east side. These routes connect San Ramon to the communities of Danville and Dublin. Major east/west surface streets are Crow Canyon Road and Norris Canyon Road (connecting in Alameda County), and Bollinger Canyon Road. The latter will eventually provide access into the subject project.

San Ramon is connected to the BART system by regular bus routes, including direct routes to Bishop Ranch. The closest BART stations are in Walnut Creek and Dublin/Pleasanton.

Population Growth

According to census figures, the total population in 2000 was 44,834 residents and according to recent figures provided by the Association of Bay Area Governments (ABAG), Projections 2003. This represents annual growth of 2.7% per year during the 1990s. It is project to increase to 53,000 residents by 2005 and 60,100 by 2010. This represents future growth of 3.6% and 3.4%, respectively into the foreseeable future. In general, the current population has doubled since the 1980 census at 22,356 residents.

Income Growth

The mean household income was reported to be $118,900 in 2000 according to ABAG. It is projected to increase to $116,600 by 2005 and $122,300 by 2010. This is well above the average mean household income for Contra Costa County and is the 7th highest, out of 22 communities in Contra Costa County that indicated a mean of $89,300. Income levels for San Ramon are projected to remain toward the highest in the East Bay region according to ABAG.

Commercial Growth and Job Formation

Commercial growth in San Ramon has been unprecedented. The valley has been transformed from what was once strictly a "bedroom community" supported by the San Francisco and Oakland employment centers to what is know considered one of the stronger regional employment centers of Contra Costa County. Total San Ramon jobs increased from 5,329 in 1980 to 31,350 in 1990. The total jobs for 2000 at 38,140. Much has been identified in recent times about increasing unemployment in the overall economy including the Bay Area. The current unemployment rate in San Ramon is presently 2.6%, whish is still well below the average for Contra Costa County at 4.7%.

Much of the job growth over the past fifteen years has been based on the development of the Bishop Ranch Business Park along the east side of Interstate 680, south of Bollinger Canyon Road. The development of Bishop Ranch in 1982, transformed San Ramon into a significant regional employment center. It consists of a total of 5.9 million square feet of existing office space configured on 580 acres of land. According to the City of San Ramon's Development Status Sheet as provided by the Planning Department, indicates that an additional 1.7 million square feet are proposed and approved for Bishop Ranch. The office park is currently home to approximately 200 companies including Fortune 500 companies such as Pacific Bell, Chevron, AT&T, Toyota, and United Parcel Service. Employment at Bishop Ranch is in the area of 18,000 people. Supporting users inside and outside the park include the Mariott Hotel, a community shopping center, a health club, various restaurants, and recently a new Target/Greatland store.

San Ramon also has a fairly steady support of other new commercial development during the last ten years. Over the past three years, the city approved the construction of two new major retail outlets, a Target/Greatland Store. Two new shopping centers have been completed and are adding tenants. One is the Gateway Centre at San Ramon Valley and Alcosta Boulevards, and the other is Country Club Village on Alcosta Boulevard. Home Depot recently completed the 129,802 square foot store at Crow Canyon Road and Old Mill Road, whereas In 'N' Out Burger was recently completed on San Ramon Valley Boulevard, north of Crow Canyon Road.

Housing Market

San Ramon is part of the "Tri-Valley" housing market that also includes Danville, Pleasanton, Dublin and Livermore. For a small city, San Ramon has a fairly active housing market. According to the Meyer's Group, November 2003, there are presently 10 detached developments marketing new homes in the City of San Ramon. Five of these projects are current projects within Windemere Ranch. The price range for these developments is from $499,900 to $1,650,000. The average selling price is $747,168 based on an average 2,731 square foot unit. These developments average 4.7 sales per month. San Ramon, like other "Tri-Valley" cities, has experienced rapid absorption of existing residential product over the past year. In fact, the median home price has increased approximately 40% since the July 2000 median home price of $530,093. This is generally based on the improving market conditions, as well as the lack of available land for future development.

Neighborhood Overview – Dougherty Valley Specific Plan Area

The subject neighborhood will essentially represent all of the land uses identified in the Dougherty Valley Specific Plan, with a total of 11,000 units planned for development. This valley lies east of the incorporated City of San Ramon, currently separated by a low-lying range of hills and will largely remain in open space as this area develops. As the various land uses within Dougherty Valley are developed, they will be annexed into the City of San Ramon. Access to the area will be primarily from Interstate 680 via Bollinger Canyon Road, as well as from Interstate 580 via Dougherty Road. The overall orientation of this area is to the south of the Town of Danville, and north of the City of Dublin. Lands within the unincorporated portion of Contra Costa County are immediately to the east of this property, while the eastern portion of San Ramon lies to the immediate west.

The Dougherty Valley development area is separated from Dublin by Camp Parks, a military reserve training area representing approximately 892 acres that will remain in open space. The Dougherty Valley has been in continuous use for cattle grazing and dry wheat farming since the Spanish settlement of the area before the 1800s. Currently the land comprising the Dougherty Valley is owned by Shapell Industries (Gale Ranch), the Windemere BLC Land Company LLC, and Camp Parks Reserves Forces Training Area owned by the U.S. Army. Shapell Industries has begun development of the Dougherty Valley and has started selling homes.

The subject property as part of the Dougherty Valley has been the subject of active, on-going planning for the last 10 years. The result of this process represents the Specific Plan published and approved by Contra Costa County in May, 1996. The property included in this analysis is subject to a development agreement with Contra Costa County dated January 1996 that establishes standards and procedures governing Windemere Ranch. This document entitles this property for 5,170 residential units, as well as development of the commercial land uses.

Dougherty Valley will develop as a cluster of residential neighborhoods supported by retail and community services surrounded by creek corridors and/or open space. Neighborhoods will contain a variety of housing types derived from a range of permitted residential categories that will allow for homes ranging from standard lot single-family dwellings to higher density housing. Each residential area carries a density designation that ensures that not more that 11,000 homes will be built in the valley. Commercial and retail uses and a branch community college are accommodated on strategic locations within the community. This community has been planned to accommodate 11,000 homes.

In keeping with the overall land use plan, each residential area is designated for a particular density. These density designations do not limit the variety of residential densities that can be developed in any given location. They are targets, such that a full range of residential housing types, from low to high density, could be built in a given area with the average density being within a designated range. This encourages the use of the widest feasible range of housing types in each neighborhood to achieve household diversity and to offer a full range of homes. A summary of these land uses is as follows.

- SM – Single Family Medium Density Residential. This designation includes residential uses developed within a density range of 3.0 to 4.9 dwelling units per net acre. Typical housing types in this category might include medium and smaller lot single-family detached homes and larger townhouses.

- SH – Single Family High Density Residential. This designation permits housing densities with a range from 5.0 to 7.2 dwelling units per net acre. Parcels may be up to 8,729 square feet for single family detached homes, but may also include attached single family units such as duplexes or duets.

- ML – Multiple Family Low Density Residential. This category includes residential uses developed within a density range of 7.3 to 11.9 dwelling units per net acre. Housing types could range from small lot single family detached homes to attached townhouses to multiple family flats and townhouse over flat units.

- MH – Multiple Family High Density Residential. This category includes residential uses within a density range of 21.0 to 29.9 dwelling units per net acre. Typical housing types include rental apartments, condominium flats, single room occupancy, multiple-family, flat-over-flat units and various forms of senior housing.

- MU – Mixed Use. A mixed use is called for in the Village Center. This will be a higher intensity district with a fine grained mix of uses including retail, office, multiple family residential, recreational and civic uses. The mixture of uses within a structure is encouraged within the Village Center District. In the Village Center, residential densities will be a minimum of 20.0 dwelling units per net acre. Densities in this area may be greater as a result of density transfers from other areas.

The Dougherty Valley Specific Plan is intended to create a community that can respond to changes in technology and lifestyle by designing flexibility into the plan with a pedestrian-oriented community where residents can bike or walk to schools, parks, transit stops, childcare facilities, or retail destinations. This plan contains the primary features.

- Neighborhoods – Individual neighborhoods vary in size based on the natural features of surrounding terrain, adjacent open space and circulation systems. Each neighborhood is planned to have a central gathering place such as a park or school.

- Trail Systems – The trail system within Dougherty Valley is planned to link most activities and encourage pedestrian bicycle movement throughout the area. The backbone of the internal circulation system is planned to be two long, landscaped creek corridors. An enhanced parkway off of Bollinger Canyon Road is planned to provide additional pathways and trails. Sidewalks on streets and off-street trails within the neighborhood are planned to provide connections between homes. The internal trail system will be linked to a regional trail network.

- Village Center – The Village Center is planned at the confluence of the two major creek corridors and major roadways. It will be a higher density, mixed-use activity center that is pedestrian oriented. This mixed-use area will accommodate local shopping facilities, local oriented office uses, and higher density housing. Village Center zoning includes an allowance for an 8,400-student community college, which is in the preliminary planning stages by the Contra Costa County Community College District. The Village Center is planned to feature a central public space and have a unified architectural theme. It is bordered by housing on the north and linked to all parts of the Dougherty Valley through the pedestrian and bicycle trail system. The Village Center is located in the center of the Dougherty Valley on Bollinger Canyon Road between East Branch Road and Dougherty Road. It is anticipated to include a supermarket, drug store, movie theater, restaurants, traditional services (banks, insurance agencies, travel agencies), and community facilities (fire station, police station, and branch library). The commercial uses within the Village Center encompass 34 acres in total; a 15-acre portion to the north owned by Windemere and the remaining 19-acre portion to the south is owned by Shapell. Adjacent to the Village Center is a 72-acre community park.

- Open Space – Open space frames the Dougherty Valley community, providing a natural border on the high ridges primarily to the east and west. To the south, Windemere Parkway is planned to create a buffer between the open space, adjacent development areas, and Camp Parks. Open space comprises over 55% of property within the Dougherty Valley Specific Plan.

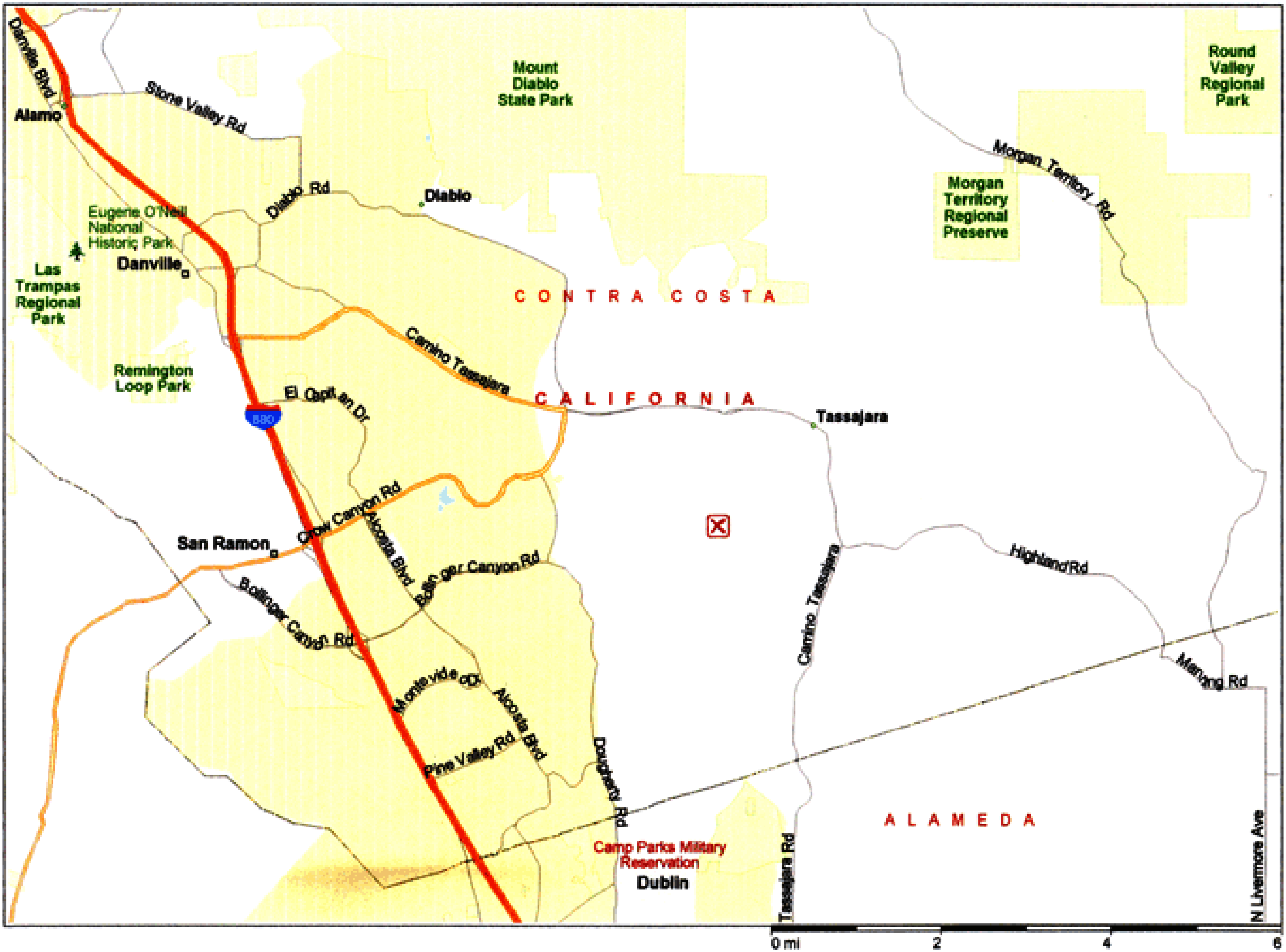
- Streets – Bollinger Canyon Road, Dougherty Road, and Windemere Parkway are planned to be the major arteries for the community and will be fully landscaped. Some portions of these roads will also separate development from permanent open space areas. Landscaped setbacks with berms or low sound walls are planned to be uses instead of high sound walls. A combination of street scales and grid are planned to provide diversity while still allowing efficient access. Local streets are planned for shade trees offering seasonal variety.

- Recreation – An integrated system of parks linked by pathways are planned to provide a variety of active and passive recreation alternatives. Active uses will be accommodated in community and neighborhood parks and on school sites where baseball, basketball, swimming, tennis and other facilities will be located. The regional function as basins for stormwater retention in 50 to 100 year storm events. One of the largest recreational activities in the Dougherty Valley Specific Plan has been completed. This represents the golf course and clubhouse completed in the Shapell portion of this plan area.

Overall, the Dougherty Valley Specific Plan Area, including Camp Parks, comprises an area of approximately nine square miles. New development of up to 11,000 new homes within Dougherty Valley would provide for a new residential community of approximately 29,000 people, resulting in an overall population density of approximately 3,100 people per square mile. This plan sets forth the following land use goal: "Establish an attractive residential community that compliments surrounding communities including San Ramon and Danville and responds to regional conservation and development opportunities".

There is one contingency identified for the land uses in the Dougherty Valley Specific Plan which is analyzed after approximately 8,500 units have been issued permits for this project. The joint efforts of Contra Costa County and the City of San Ramon analyze the traffic impacts on the immediate area to identify any potential impacts at this time. If there is detrimental impact to the traffic counts in the area, delays could result in the project until mitigated. Traffic engineers analyzing the impacts to the subject property suggest that there are likely to be no impacts. Recently, the Alamo Creek project by Shapell Industries was examined in this area, with no reported impacts on the overall traffic volume for the area. This is significant as this model was performed utilizing full build-out of the Dougherty Valley Specific Plan at 11,000 units. In addition, the developers of the subject property had an independent traffic study performed with no negative impact. Lastly, the report prepared by Contra Costa County is being finalized as of the effective date of valuation. It was reported by Kathryn Kasores, that there are no significant items delineated in this report, which would alter the number of permits issued for this project. Due to this element, the subject property is analyzed based on the maximum build-out to 5,170 units.

AREA MAP



Danville Blvd
Alamo
Stone Valley Rd
Mount Diablo State Park
Round Valley Regional Park
Morgan Territory Rd
Morgan Territory Regional Preserve
Diablo Rd
Diablo
Eugene O'Neill National Historic Park
Danville
Las Trampas Regional Park
CONTRA COSTA
Camino Tassajara
Remington Loop Park
El Capitan Dr
CALIFORNIA
680
Tassajara
Crow Canyon Rd
San Ramon
Alcosta Blvd
Bollinger Canyon Rd
Highland Rd
Camino Tassajara
Bollinger Canyon Rd
Montevideo Dr
Alcosta Blvd
Pine Valley Rd
Dougherty Rd
Manning Rd
ALAMEDA
Camp Parks Military Reservation
Dublin
Tassajara Rd
N Livermore Ave
0 mi
2
4
6

SITE DESCRIPTION

The analysis presented in the property is essentially two-fold. The following section addresses the physical characteristics of this property in its "as is" condition. The descriptions and analysis of this site assuming buildout in accordance with the Conceptual Neighborhood Plan as prepared by Carlson, Barbee & Gibson, Inc., dated March 17, 2004is addressed in the next section.

Location

The subject property is generally located along the eastern terminus of Bollinger Canyon Road, west of Camino Tassajara, approximately ¼ miles north of the Contra Costa County/Alameda County line. This property is presently under county jurisdiction, but will be annexed into the City of San Ramon upon issuance of the applicable building permits. It lies within Census Tract 4507.21.

Access

Access to the subject property is presently from Bollinger Canyon Road in San Ramon, as well as from Dougherty Road from Dublin. Both of these streets connect to the major freeway corridors in the area including Interstate 680 to the west, as well as Interstate 580 to the south. Freeway access is approximately 1½ to 2 miles in either direction.

Neighboring Land Uses

The subject property is a large, expansive land area located within the Dougherty Valley Specific Plan. It is adjacent to the Shapell land area for Gale Ranch within the Dougherty Valley Specific Plan to the east, Camp Parks to the south, vacant undeveloped land under county jurisdiction to the west, and the town of Danville to the north.

APNs/Parcel Size

The subject is presently identified by the Contra Costa County Assessor as the following parcel numbers.

223-010-006, 007
223-090-006, 007, 008
223-100-022, 023, 048..058
223-280-001..080, 223-290-001..055, 223-300-001..071
223-310-001..070, 233-320-001..079, 233-330-001..043
223-340-001..063

It should be noted that the subject reflects a portion of these parcels as the recordation of the final maps creates a smaller land area for these properties. In addition, acreage calculations for the residential lots based on the individual phasing were provided for review. This includes approximately 212.00 acres for Phase 4, 169.0 acres for Phase 3 and 232.0 acres for phase 5. Overall, the total acreage for the residential lots in this project equates to approximately 613.00 acres. The lots identified in Phase 2 have final map approval as these lots have been developed to a finished lot condition. Site maps delineating these parcels are identified at the end of this section.

Topography/Drainage

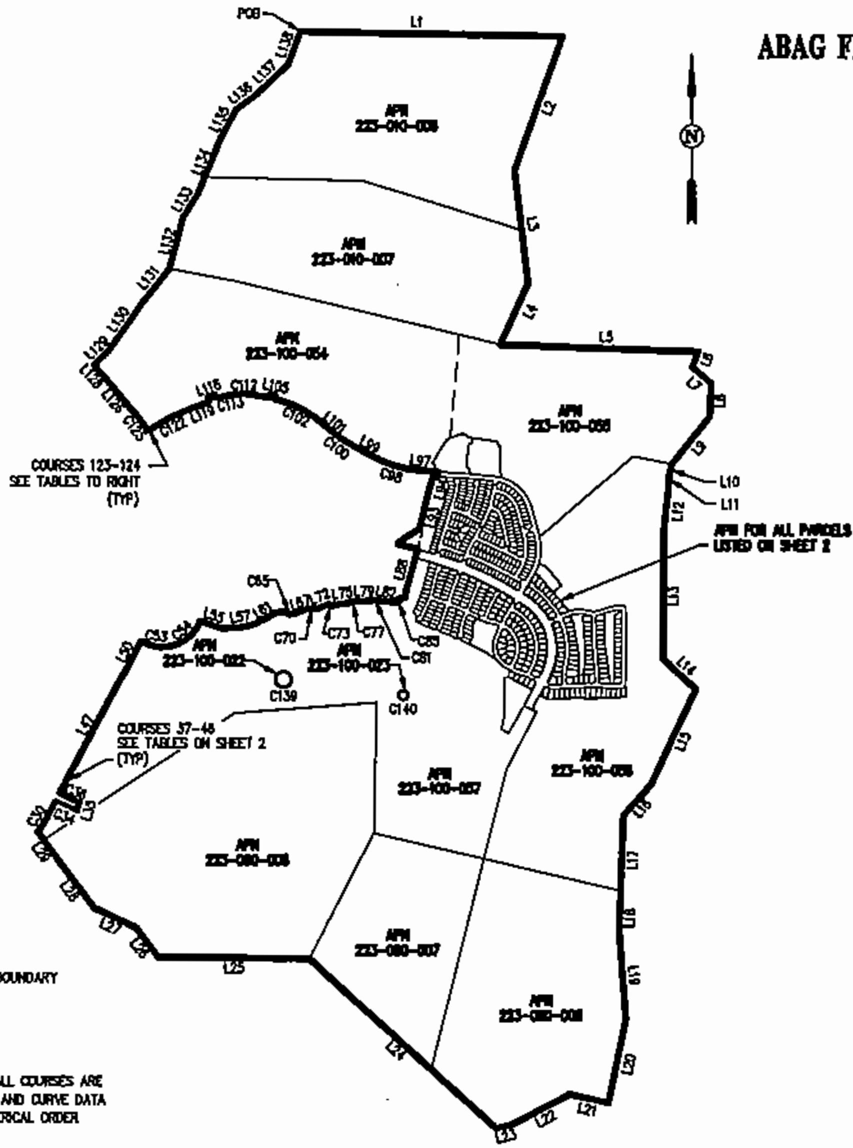
The total acreage for this property consists of rolling land with hills that rise to elevations of approximately 1,000 feet, canyons and valleys, and some areas of relatively flat land. Hillside slopes range from 10% to 20%. Alamo Creek represents the natural drainage element for this property and will be preserved as part of the overall development.

PROPOSED BOUNDARIES OF
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-2
(WINDEMERE RANCH)

CONTRA COSTA COUNTY, STATE OF CALIFORNIA

SCALE: 1" = 1000' APRIL, 2004

Carlson, Barbee & Gibson, Inc.



LEGEND

SUBDIVISION BOUNDARY

LOT LINE

APN LINE

NOTES

1) DUE TO MAPPING SCALE, NOT ALL COURSES ARE SHOWN ON THIS EXHIBIT. LINE AND CURVE DATA IS SHOWN ON SHEET 2 IN NUMERICAL ORDER TO RETRACE THE BOUNDARY.

FILED IN THE OFFICE OF THE SECRETARY OF THE ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS, THIS _____ DAY OF __________, 2004.

BY: ______________________________
SECRETARY OF THE ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF THE BOUNDARIES OF THE ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS COMMUNITY FACILITIES DISTRICT NO. 2004-2 (WINDEMERE RANCH), COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA, WAS APPROVED BY THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS OF THE ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS, AT A MEETING THEREOF HELD ON THE _____ DAY OF ________, 2004, BY ITS RESOLUTION NO. _____.

BY: ______________________________
SECRETARY OF THE ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS

FILED THIS ____ DAY OF ________, 2004, AT THE HOUR OF ____ O'CLOCK ___M., IN BOOK ____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AT PAGE ____, IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA.

BY: ______________________________
COUNTY RECORDER,
COUNTY OF CONTRA COSTA

Soil Conditions

No soils report was provided for review in preparation of this assignment. The area is known for having expansive soils and hillside slippage. In the absence of a professional report provided for review, this appraisal assumes that the site is developed in conformance with a qualified soils engineer. Refer to the contingent and limiting conditions for further documentation. However, based on the development of production homes in Phase 1, as well as the finished lots for Phase II of this project, it is unlikely that any detrimental soils conditions exist for this property.

Nuisances and Environmental Hazards

The final inspection of this property occurred on April 21, 2004. This included an inspection of the majority of the project area. At this time, there was no evidence of above or below ground storage tanks, hazardous waste, or toxic contaminants. The property has been utilized for agricultural grazing in the past, which represents an agricultural activity of fairly low intensity, which is not known for the routine use of pesticides or herbicides. There was no environmental report provided for review in preparation of this assignment. In the absence of a professional environmental report, this appraisal and subsequent opinions of value are contingent on the assumption that no surface or sub-surface contaminants exist for this property. Refer to the contingent and limiting conditions for further documentation. Once again, there was no evidence of potential contamination as of the effective date of valuation.

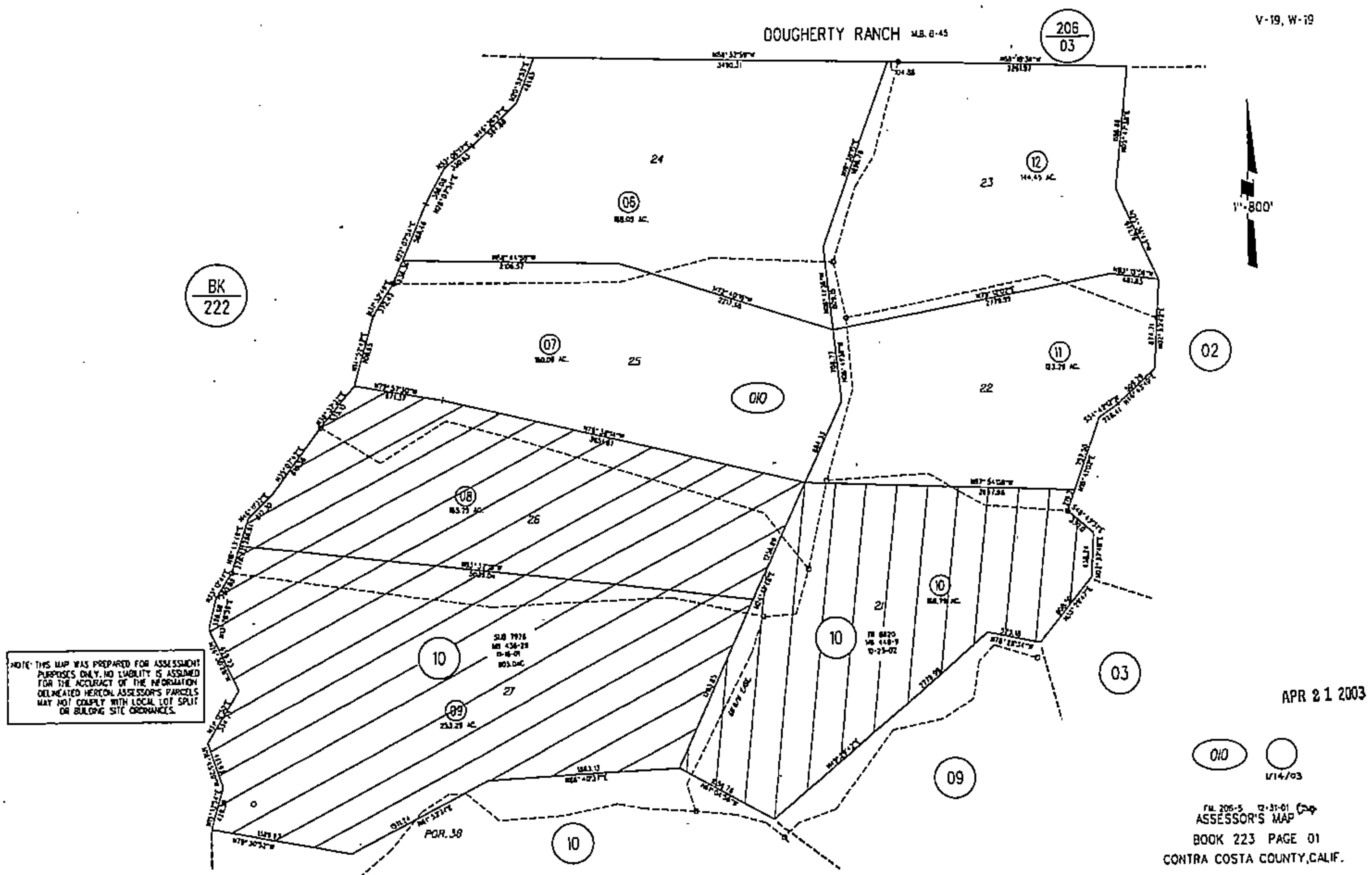
Utilities

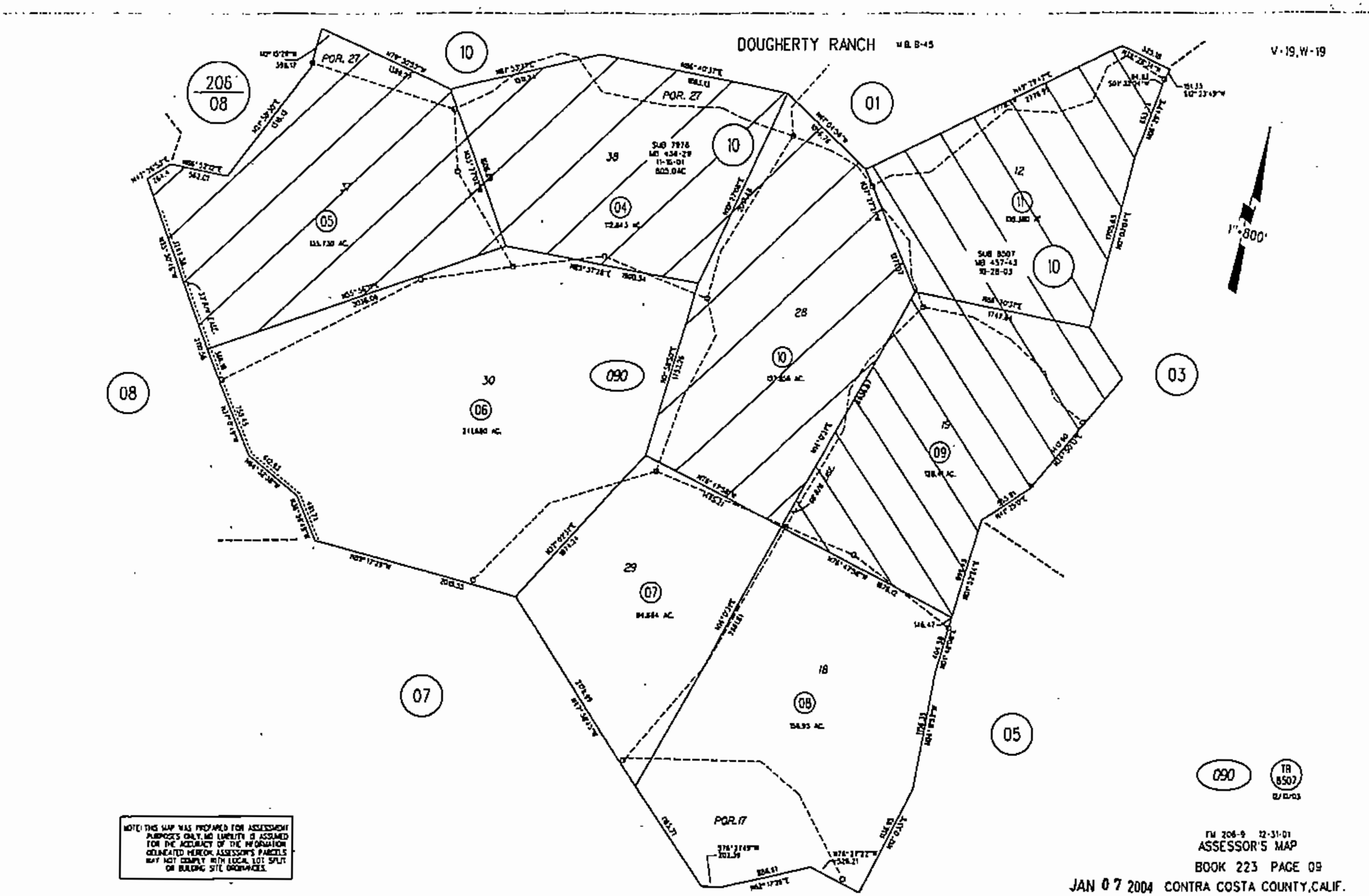
The subject property is presently serviced by public water and sewer. These facilities were constructed as part of the infrastructure required for the development of this property. This was a major obstacle in the development of this property. As mentioned in the ownership and history of the property section of this report, the previous owners of this property successfully entitled the property in 1996, evidenced by the Dougherty Valley Specific Plan, as well as the recordation of the initial tentative maps. But, after this approval, litigation over water servicing the property stalled construction and processing of this property. The Dublin/San Ramon Services District (DSRSD) will provide water to this property. This was established in January 1998 per an agreement with DSRSD, through use of the Zone 7 water system. In March 1998 in response to this agreement, a lawsuit was filed by a group called "Citizens for Balanced Growth" challenging Zone 7's right to serve the property to the extent it is located outside of the Zone 7 service boundary. In April 1998, the City of Livermore filed a lawsuit challenging the adequacy of the environmental impact report prepared in connection with Zone 7's agreement to allow the conveyance and treatment system to be used for the property. The two actions were later consolidated for limited purposes and transferred for hearing to the Sacramento County Superior Court. After dismissing certain causes of action and denying two motions for summary judgement, the Sacramento County Superior Court requested that parties to mediate their dispute under the auspices of a third-party mediation service. A mediation was commenced and, as of November 2, 1999, several of the parties entered into a settlement agreement requiring, among other things that (a) the settling parties request the court to enter a favorable judgement in the litigation and (b) the non-settling parties be dismissed from the litigation. Pursuant to the requests of the parties, on December 22, 1999, the court entered its judgement that the Zone 7/DSRSD agreement is valid and will not result in a violation of applicable law. As of the effective date of valuation, water service has been extended to the project along Dougherty Road. Sanitary sewer service is provided by Central Contra Costa County Sanitary District. A summary of the municipal service providers for the subject property are as follows:

Gas & Electricity:	Pacific Gas & Electricity (PG&E)
Water:	Dublin/San Ramon Services District
Sanitary Sewer:	Central Contra Costa Sanitary District
Telephone:	Pacific Bell
Trash:	Valley Waste Management
Cable Television:	Viacom
Flood Control:	Contra Costa County
Fire Protection:	San Ramon Regional Fire District
Police Protection:	City of San Ramon

Easements, Encroachments & Adverse Conditions

A preliminary title report prepared by First American Title Company was provided for review in preparation of this assignment, dated February 20, 2004. Review of this document revealed exceptions of title in conjunction with the development of this property including applicable development agreements with Contra Costa County, and other service providers. There is one sizeable easement to Pacific Gas & Electric for tower and pole lines traversing the southern portion of this property. Based on the project orientation and the development of this property, the impact of the power lines is minimal in relation to the overall project. It appears that this project has been designed with a minimal number of units/lots adjacent to this facility. In addition, this report stipulates delinquent taxes for one of the properties (223-100-020). This property was a portion of the community college site which transferred ownership and the valuation of this property is beyond the scope of this assignment. A copy of this report is contained within the addenda of this report.


DOUGHERTY RANCH M.B. 8-45
206
03
V-19, W-19
1"=800'
BK
222
02
03
09
10
010
NOTE: THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE INFORMATION DELINEATED HEREON. ASSESSOR'S PARCELS MAY NOT COMPLY WITH LOCAL LOT SPLIT OR BUILDING SITE ORDINANCES.
POR. 38
APR 21 2003
1/14/03
ASSESSOR'S MAP
BOOK 223 PAGE 01
CONTRA COSTA COUNTY, CALIF.



NOTE: THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE INFORMATION DELINEATED HEREON. ASSESSOR'S PARCELS MAY NOT COMPLY WITH LOCAL LOT SPLIT OR BUILDING SITE ORDINANCES.

090

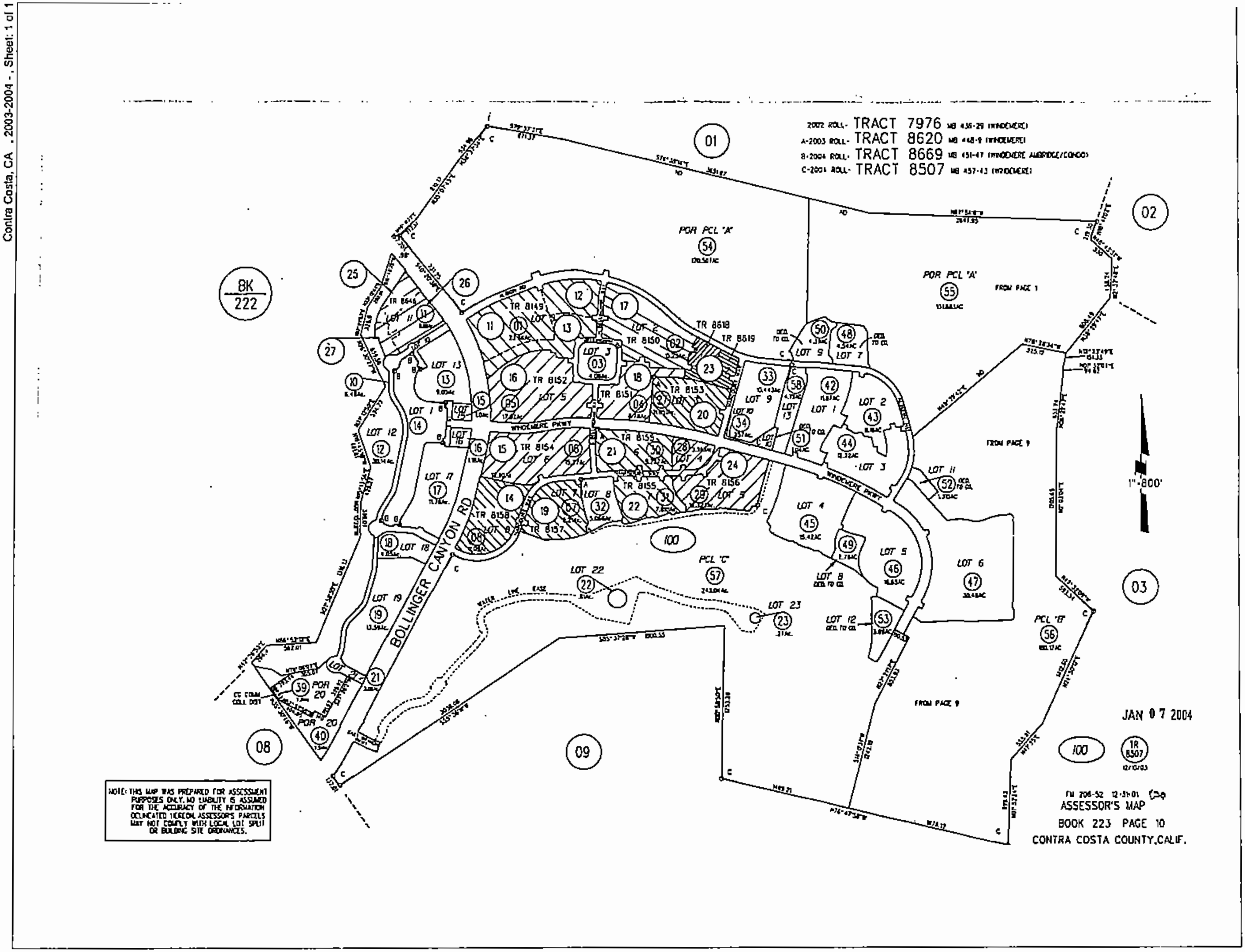
TR 8507

FM 206-9 12-31-01

ASSESSOR'S MAP

BOOK 223 PAGE 09

JAN 07 2004 CONTRA COSTA COUNTY, CALIF.


2002 ROLL- TRACT 7976 MB 436-29 (WINDEMERE)
A-2003 ROLL- TRACT 8620 MB 448-9 (WINDEMERE)
B-2004 ROLL- TRACT 8669 MB 451-47 (WINDEMERE AUBRIDGE/CONDO)
C-2004 ROLL- TRACT 8507 MB 457-43 (WINDEMERE)
BK 222
01
02
03
08
09
POR PCL 'A'
54
POR PCL 'A'
55
FROM PAGE 1
FROM PAGE 9
TR 8149
TR 8150
TR 8151
TR 8152
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TR 8157
TR 8158
TR 8618
TR 8619
TR 8646
WINDEMERE PKWY
BOLLINGER CANYON RD
100
PCL 'C'
57
LOT 22
LOT 23
PCL 'B'
56
WATER LINE EASE
1" = 800'
JAN 0 7 2004
TR 8507
12/10/03
NOTE: THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE INFORMATION DELINEATED HEREON. ASSESSOR'S PARCELS MAY NOT COMPLY WITH LOCAL LOT SPLIT OR BUILDING SITE ORDINANCES.
ASSESSOR'S MAP
BOOK 223 PAGE 10
CONTRA COSTA COUNTY, CALIF.

PROJECT DESCRIPTION

As noted throughout this report, development of Windemere Ranch will be in five phases of development. Three of these phases have been completed, Phase 1A, Phase 1B, and Phase II. The subject of this report encompasses the remainder of this project identified as Phases 3-5, as well as the finished lots in Phase 2. As such, descriptions as to the development will be identified in each phase of development. There are numerous descriptions pertaining to this development as noted in the Specific Plan, Tentative Map, as well as the proposed development of this project. It appears through the course of interviews with the developers that the mix of units, especially from phase to phase is changing. As such, the mix of units for this analysis has been based on the Conceptual Neighborhood Plan for Windemere as prepared by Carlson, Barbee and Gibson, Inc., dated March 17, 2004.

General Project Description

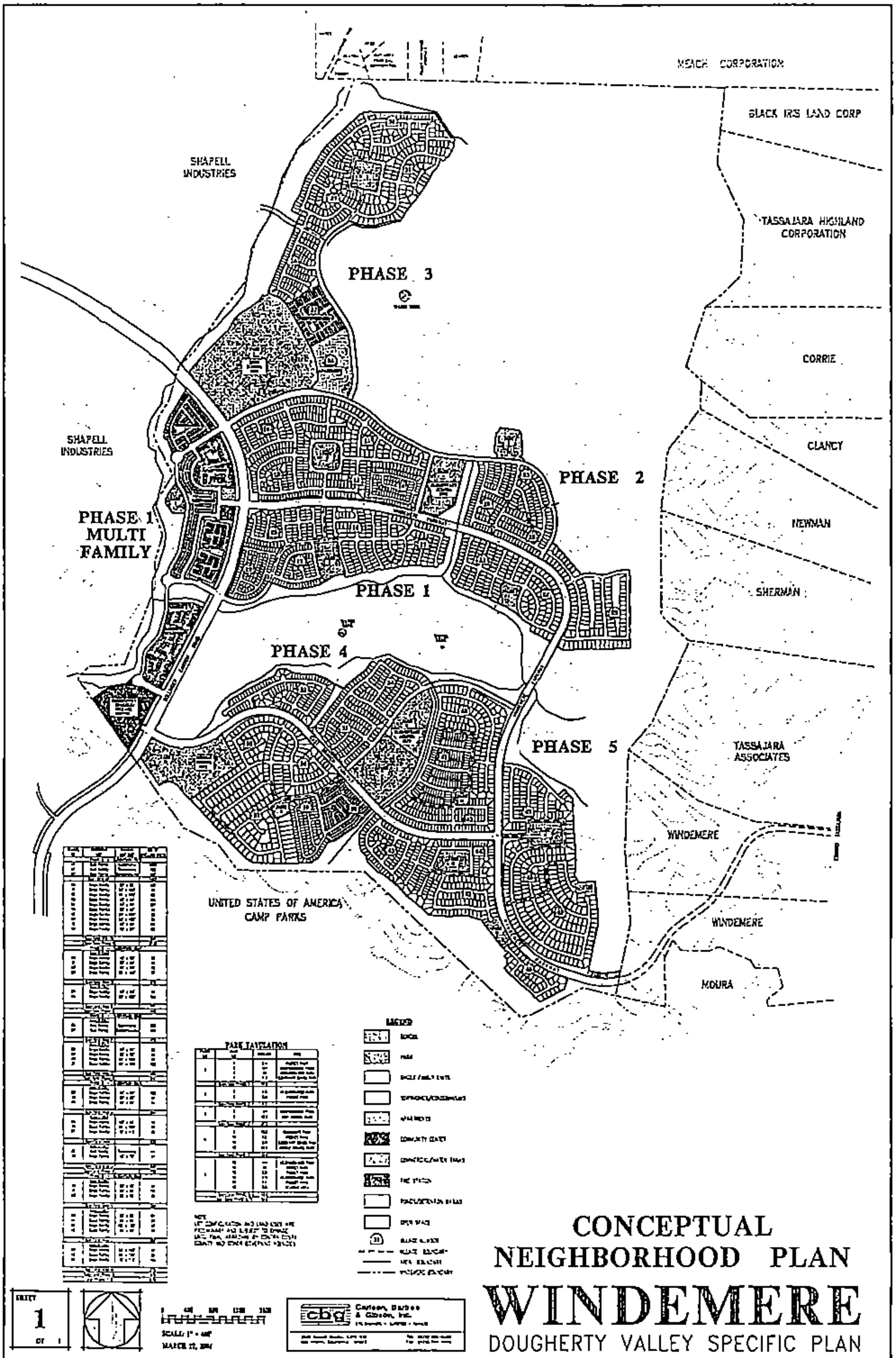
The residential and commercial land uses have been identified on a phase-by-phase basis for the entire project. Residential and commercial uses within Windemere Ranch encompass only 1,008 acres of the 2,320 acres within the project, or approximately 43% of the total area. The other land uses, which will be developed within the project, but reflect public land uses or open space are as follows:

Schools/Parks..85.0 Acres
Creek Corridors ....70.0 Acres
Staging Area ....3.0 Acres
Unimproved Open Space..1,066.0 Acres
Major Roads ....73.0 Acres

Total...1,312 Acres

The balance of the land uses within this project is devoted to public land uses. The largest use within this project is for open space with 1,066 total acres. There are four schools identified within this project, including one elementary school within Phase 1B has already been developed. It was reported that the project developers are responsible for the physical construction of these schools within the project, not just land dedication or completion of the site to accommodate physical improvements. However, with this construction, there is no school fees issued for this project. Furthermore, park sites in this project are dedicated and the developer is responsible for park development. This is also in lieu of additional fees at the time of building permit. Essentially, the residential and commercial land uses within this project are the revenue generating land uses within the project.

Access to this project will occur by extending Bollinger Canyon Road from its current location at Dougherty Road. This road will provide access to the project area extending in a southeastern direction and subsequently connecting back to Dougherty Road toward the southern end of the project. Completion of this roadway is nearing completion, although ultimate connection of this road at the southeastern portion of the project is not planned until completion of this project. Since the developer has acquired the Silva property along the southeastern boundary of this project, there are no obstacles for the completion of this access corridor. The map on the following page is reflective of the land uses identified for the entire development.



SHAPELL INDUSTRIES
TASSAJARA HIGHLAND CORPORATION
PHASE 3
CORRIE
SHAPELL INDUSTRIES
CLANCY
PHASE 2
PHASE 1 MULTI FAMILY
NEWMAN
PHASE 1
SHERMAN
PHASE 4
PHASE 5
TASSAJARA ASSOCIATES
WINDEMERE
UNITED STATES OF AMERICA CAMP PARKS
WINDEMERE
MOURA
PARK TABULATION
LEGEND
CONCEPTUAL NEIGHBORHOOD PLAN
WINDEMERE
DOUGHERTY VALLEY SPECIFIC PLAN
SHEET 1 OF 1
cbg
Carlson, Barbee & Gibson, Inc.

Residential Classifications

The detached, single-family residential lots identified for this analysis have a various classification based on the overall typical lot size. For purposes of this analysis and ease of discussion, properties identified for all of the phases of development have been grouped into these categories. While identified in the discussions for each individual phase of development, the chart identified below summarizes the classifications identified for this land use.

Classification	SFD-1	SFD-2	SFD-3	SFD-4	SFD-5	SFD-6	SFD-8
Dimensions	43' x 67' 40' x 80' 45' x 70'	38' x 96' 45' x 85'	50' x 82' 45' x 90' 50' x 80'	50' x 95' 50' x 90'	50' x 100' 55' x 100' 65' x 90'	60' x 100' 65' x 100'	70' x 115'
Typical SF	3,150 sf	3,825 sf	4,050 sf	4,500 sf	5,500 sf	6,500 sf	8,050 sf

Phase 2
448 Detached Single-Family Residential Units

The location of Phase 2 is along the eastern portion of the project. This area is generally along the eastern portion of Phase 1B, along the northern and southern portion of Windemere Ranch Parkway. This street provides access to each of the lots, as it reaches its eastern terminus at the Phase 2 location, then traverses south toward the southern end of the development and connects with East Branch Parkway, until it terminates at Camino Tassajara through the Silva Property. All of the lots within this phase of development reflect finished lots.

Typical Lot Size / Project Densities (Detached Residential)

The detached lots within this project have a wide range in the typical lot size from 4,000 square feet (50' x 80') to 6,000 square feet (60' x 100'). The following chart summarizes the mix of the detached single-family residential uses within this phase of development, as well as the acreage components for each.

Village	Classification	# of Lots	Typical Lot Size
Village 20	SFD-3	76 Lots	4,050 sf (45' x 90')
Village 21	SFD-3	55 Lots	4,000 sf (50' x 80')
Village 22	SFD-4	69 Lots	4,500 sf (50' x 90')
Village 23	SFD-5	77 Lots	5,500 sf (55' x 100')
Village 24	SFD-5	68 Lots	5,850 sf (65' x 90')
Village 25	SFD-6	103 Lots	6,000 sf (60' x 100')
TOTALS		**448 Lots**	

Based on the distribution of lots, the allocation based on the classification of lots is as follows.

Classification	SFD-1	SFD-2	SFD-3	SFD-4	SFD-5	SFD-6	SFD-8	Total
# of Lots	-0-	-0-	131	69	145	103	-0-	448

In addition to the residential land uses identified in this phase of the project, there are an additional 14.5 acres identified for the construction of neighborhood parks throughout the community.

Phase 4
526 Detached Single-Family Residential Units
91 Courtyard Units
141 Multi-Family Units (Townhouse)

The overall orientation of this project represents the land uses configured along the northern and southern portion of East Branch Parkway, south of the land uses identified in Phase 1A, 1B, and 2. This area is generally located along the northern and southern portions of East Branch Parkway, as well as the eastern and western sides of Windemere

Parkway. It is generally located at the southwestern portion of the project. This portion of the project has been rough-graded and site development for this project is scheduled for 2004, with the anticipated delivery of finished lots by December 2004.

According to the acreage provided by the developer for this phase of development, there are 212 acres proposed for the development of the 758 units identified within this project. The overall density is 3.6 units per acre. Additional land uses within this project include two school sites, including an elementary school site and a middle school site. The elementary school identified in this phase of development will be developed concurrent with Phase 5 of this project. As mentioned, this phase of development is the first of the three remaining phases to be developed due to the need for construction of the middle school within the project area.

Typical Lot Size (Detached Residential)

The detached lots within this project have a wide range in the typical lot size from 4,000 square feet (50' x 80') to 8,050 square feet (70' x 115'). The following chart summarizes the mix of the detached single-family residential uses within this phase of development, as well as the acreage components for each.

Village Reference	# of Lots	Typical Lot Size
32	103	45' x 90' – 4,050 sf
33	97	50' x 80' – 4,000 sf
34	94	50' x 90' – 4,500 sf
35	78	65' x 90' – 5,850 sf
36	79	55' x 100' – 5,500 sf
37	75	70' x 115' – 8,050 sf
DETACHED TOTALS	526	

Based on the distribution of lots, the allocation based on the classification of lots is as follows.

Classification	SFD-1	SFD-2	SFD-3	SFD-4	SFD-5	SFD-6	SFD-8	Total
# of Lots	-0-	-0-	200	94	157	0	75	617

As mentioned, there is a 141 unit townhouse site identified within this phase of development. This is identified as Village 38. There are no affordable restrictions identified for this site. This site contains a total area of approximately 11.2 Acres demonstrating an overall density of 12.6 units per acre. In addition, there is a 91 unit courtyard home site identified within this project identified as Village 39. These lots have a typical size of 3,150 square feet (45' x 70'). In addition to the residential land uses identified in this phase of the project, there are an additional 40.2 acres identified for the construction of neighborhood parks throughout the community

Phase 3
384 Detached Single-Family Residential Units
179 Market-Rate Condominiums

The overall orientation of this project represents the land uses configured along the northern portion of the entire project. It is non-contiguous to the properties identified in Phases 1A, 1B and 2. Access to this project is from Albion Road, which is a northern connecting street to Bollinger Canyon Road and facilitates access to these lots. The overall location of this phase of development is in the northern portion of the community. This project area has been rough-graded as of the effective date of valuation with the delivery of finished lots pushed back in time after Phase 4 and Phase 5A due to the necessity of a middle-school constructed within the community, as well as negotiations with the adjacent developer over the construction of a common bridge linking the two projects. The overall delivery of finished lots for this phase of development has been identified in December 2006.

According to the acreage provided by the developer for this phase of development, there are 169.00 acres proposed for the development of the 856 units identified within this project. The overall density is 5.1 units per acre. Additional land uses within this project include a high school site.

Typical Lot Size / Project Densities (Detached Residential)

The detached lots within this project have a wide range in the typical lot size from 3,825 square feet (45' x 85') to 6,000 square feet (60' x 100'). The following chart summarizes the mix of the detached single-family residential uses within this phase of development, as well as the acreage components for each.

Village Reference	# of Lots	Typical Lot Size
28	83	45' x 85' – 3,825 sf
29	99	50' x 90' – 4,500 sf
30	99	55' x 100' – 5,500 sf
31	103	60' x 100' – 6,000 sf
DETACHED TOTALS	**384**	

Based on the distribution of lots, the allocation based on the classification of lots is as follows.

Classification	SFD-1	SFD-2	SFD-3	SFD-4	SFD-5	SFD-6	SFD-8	Total
# of Lots	-0-	83	-0-	99	99	103	-0-	381

As mentioned, this phase includes a site identified for the development of 179 market rate condominiums identified as Village 27. This site contains a total area of 11.1 acres demonstrating an overall density of 16.1 units per acre. In addition to the residential land uses identified in this phase of the project, there are an additional 20.4 acres identified for the construction of neighborhood parks throughout the community.

Phase 5
876 Detached Single-Family Residential Units

The overall orientation of this project represents the land uses configured along the intersection of Windemere Parkway and East Branch Parkway. It is generally located at the southeastern portion of the project. This phase of development is devoted solely to detached single-family residential development, with the exception of the elementary school developed for this project (located in Phase 3). This project area was vacant as of the effective date of valuation. This project has been identified and segregated into two sub-phases of development identified as Phase 5A and 5B. Phase 5A includes the delivery of 601 finished lots by December 2005, with the balance of 275 lots by December 2007.

Typical Lot Size / Project Densities (Detached Residential)

The detached lots within this project have a wide range in the typical lot size from 3,648 square feet (38' x 96') to 8,050 square feet (70' x 115'). The following chart summarizes the mix of the detached single-family residential uses within this phase of development, as well as the acreage components for each.

Village Reference	# of Lots	Typical Lot Size
PHASE 5A		
40	96	65' x 90' – 5,850 sf
41	114	38' x 96' – 3,648 sf
42	98	50' x 90' – 4,500 sf
43	84	50' x 80' – 4,000 sf
44	89	45' x 90' – 4,050 sf
45	80	60' x 100' – 6,000 sf
46	40	65' x 90' – 5,850 sf
SUBTOTALS	**601**	
PHASE 5B		
47	81	55' x 100' – 5,500 sf
48	88	60' x 100' – 6,000 sf
49	106	70' x 115' – 8,050 sf
SUBTOTALS	**275**	
Phase Totals	**876**	

Based on the distribution of lots, the allocation based on the classification of lots is as follows.

Classification	SFD-1	SFD-2	SFD-3	SFD-4	SFD-5	SFD-6	SFD-8	Total
Phase 5A	-0-	114	173	98	136	80	-0-	601
Phase 5B	-0-	-0-	-0-	-0-	81	88	106	275
TOTALS	**-0-**	**114**	**173**	**98**	**217**	**168**	**106**	**876**

There has been no allocation of lots to the individual homebuilders for this phase of development. In addition to the residential land uses identified in this phase of the project, there are an additional 12.0 acres identified for the construction of neighborhood parks throughout the community.

Conclusions – Overall Project

The chart displayed below provides a summary of the overall development, predicated on the total number of units constructed, as well as by individual product type.

Detached Single-Family Residential

Phase Reference	SFD-1	SFD-2	SFD-3	SFD-4	SFD-5	SFD-6	SFD-8	Total
Phase 2	-0-	-0-	131	69	145	103	-0-	448
Phase 4	-0-	-0-	200	94	157	0	75	526
Phase 3	-0-	83	-0-	99	99	103	-0-	384
Phase 5	-0-	114	173	98	217	168	106	876
TOTALS	**-0-**	**197**	**504**	**360**	**618**	**374**	**181**	**2,234**

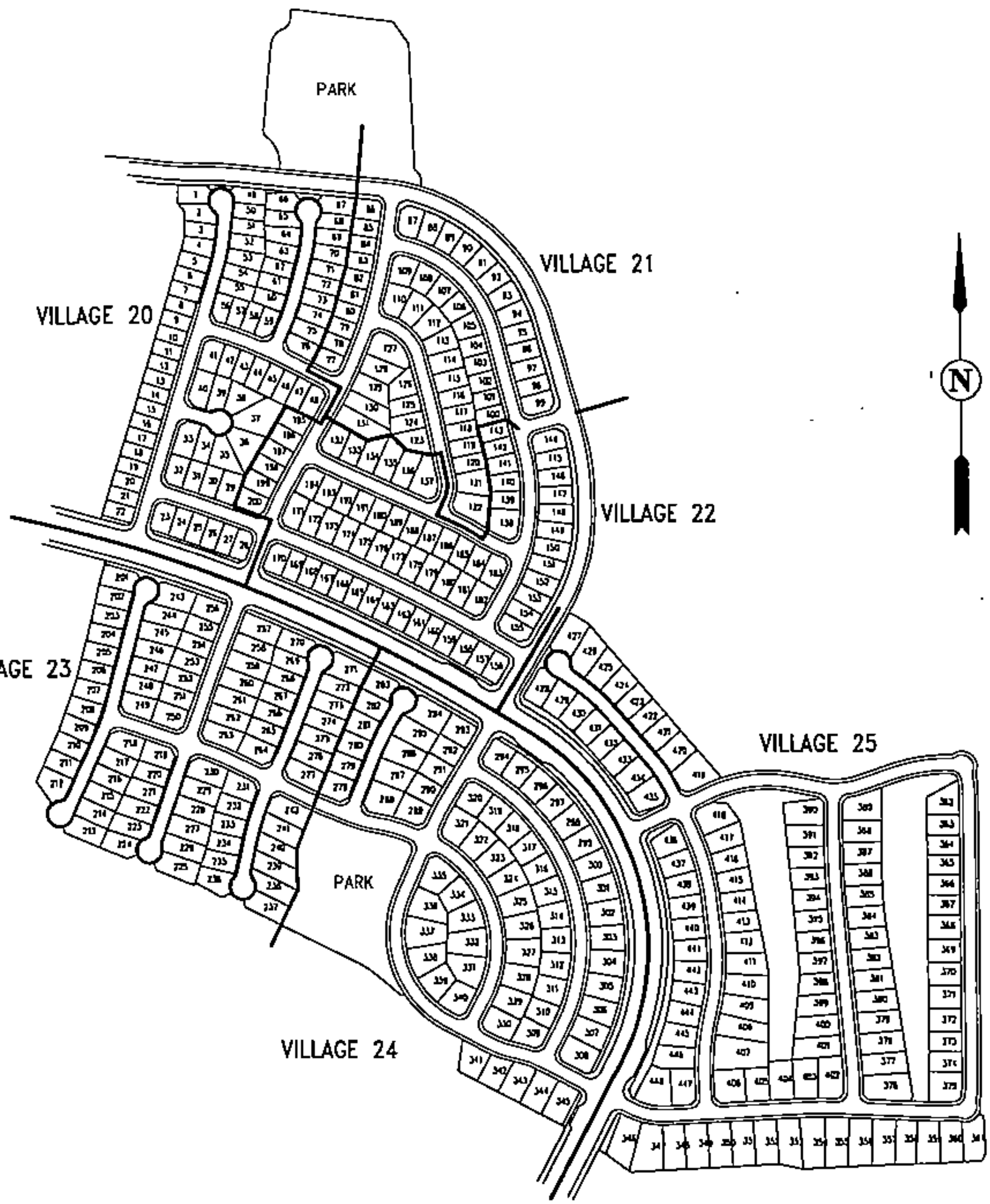
Courtyard Homes

Phase Reference	Total
Phase 4	91
TOTALS	**91**

Attached Single-Family Residential (Market Rate)

Phase Reference	Condominium	Townhouse	Total
Phase 2	-0-	-0-	-0-
Phase 4	-0-	141	141
Phase 3	179	-0-	179
Phase 5	-0-	-0-	-0-
TOTALS	**179**	**141**	**320**

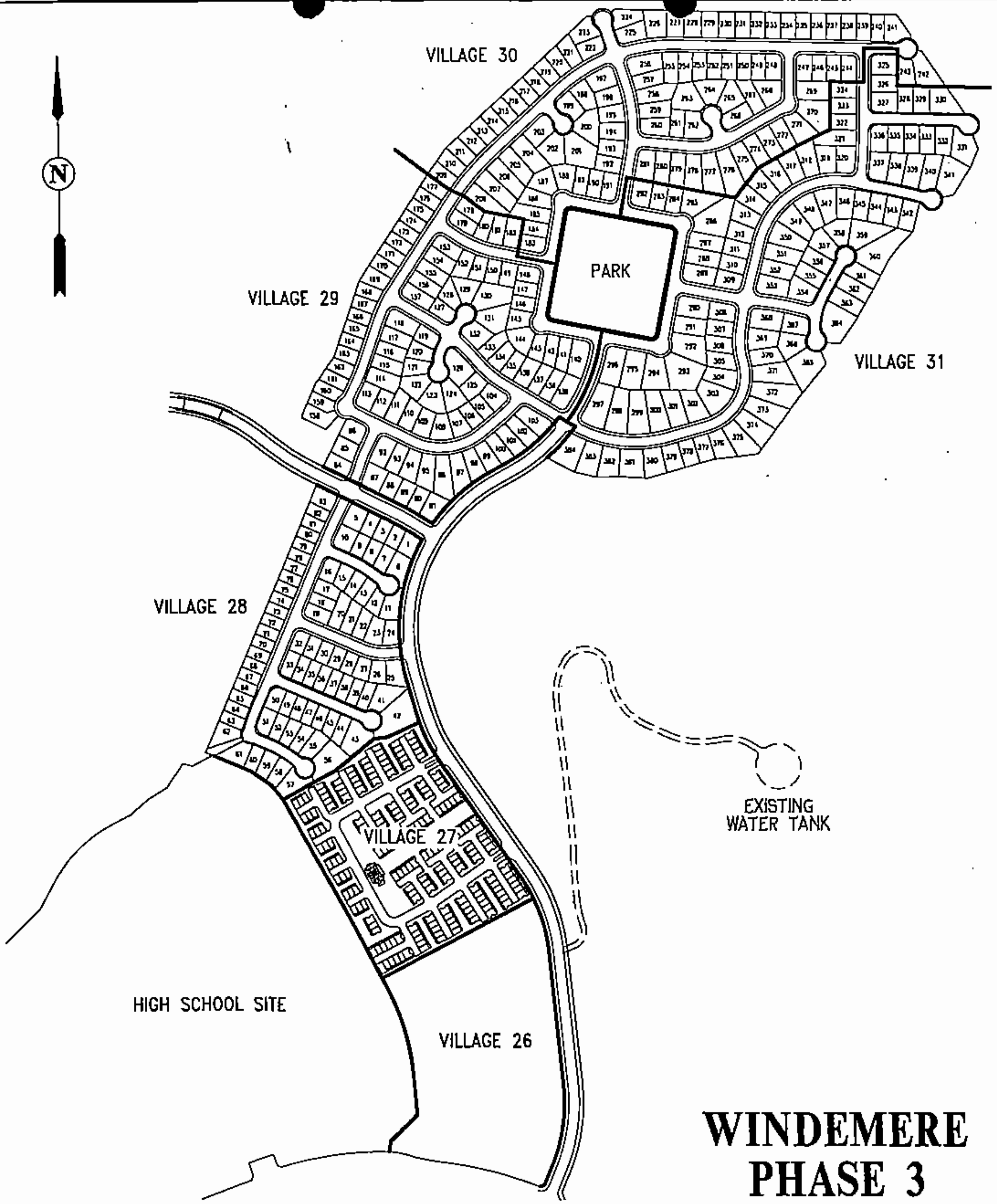
The total number of lots/units for this project equates to 2,645 units, which reflects the remainder of the project for Windemere Ranch.



WINDEMERE
PHASE 2

PHASE 2 - SUBDIVISION 8507			
20	Single Family	45' x 90'	76
21	Single Family	50' x 80'	55
22	Single Family	50' x 90'	69
23	Single Family	55' x 100'	77
24	Single Family	65' x 90'	68
25	Single Family	60' x 100'	103
	Total Phase 2		448

cbg
Carlson, Barbee & Gibson, Inc.
CIVIL ENGINEERS • SURVEYORS • PLANNERS
2603 CAMINO RAMON, SUITE 100
SAN RAMON, CALIFORNIA 94583
TEL (925) 866-0322
FAX (925) 866-8575



WINDEMERE
PHASE 3

PHASE 3 – SUBDIVISION 8508			
26	Multi Family	Apartments	293
27	Multi Family	Condominiums	179
28	Single Family	45' x 85'	83
29	Single Family	50' x 90'	99
30	Single Family	55' x 100'	99
31	Single Family	60' x 100'	103
	Total Phase 3		856

cbg
Carlson, Barbee & Gibson, Inc.
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SAN RAMON, CALIFORNIA 94583
TEL (925) 866-0322
FAX (925) 866-8575

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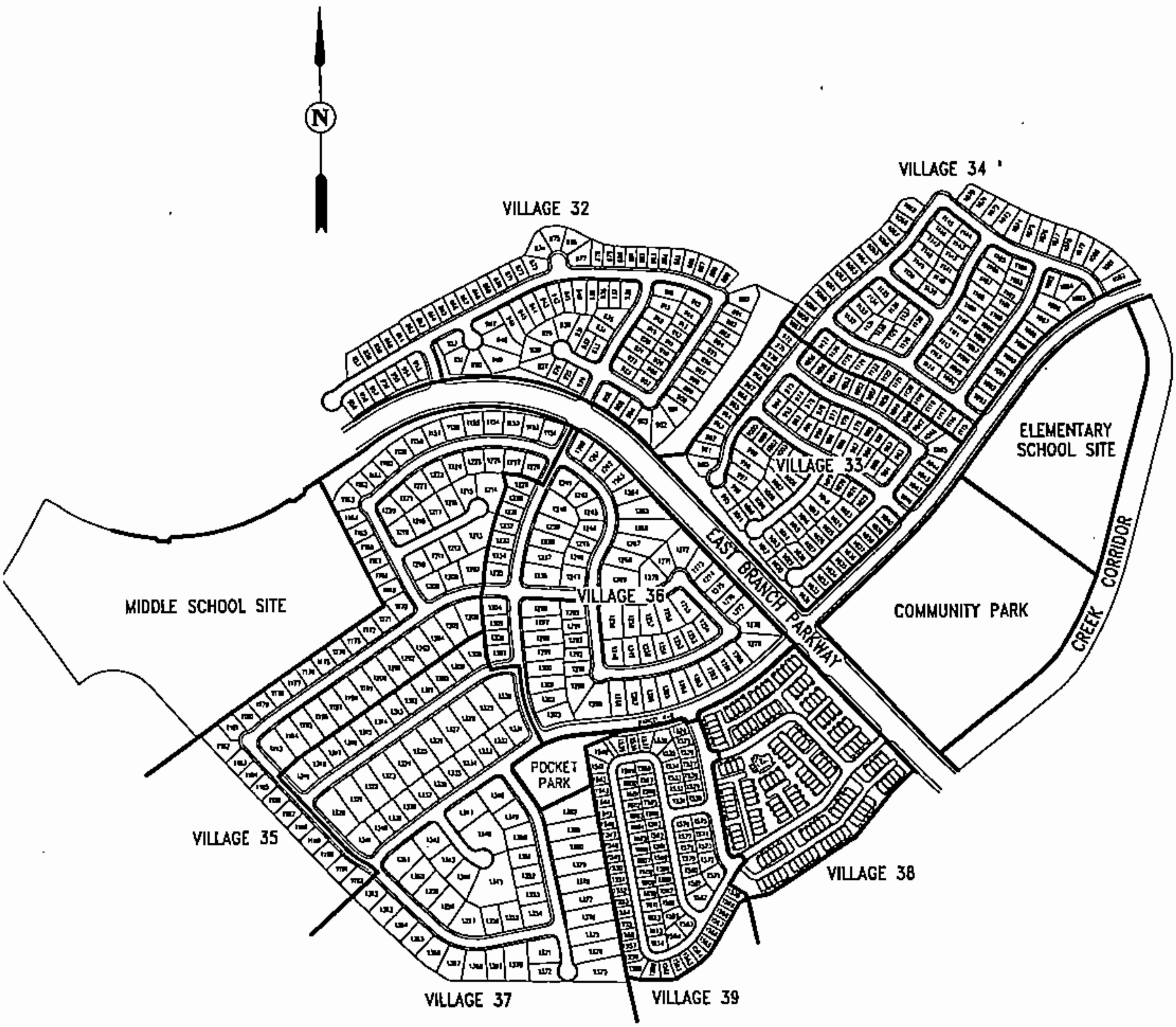

PHASE 4 – SUBDIVISION 8509			
32	Single Family	46' x 90'	103
33	Single Family	50' x 80'	97
34	Single Family	50' x 90'	94
35	Single Family	65' x 90'	78
36	Single Family	55' x 100'	79
37	Single Family	70' x 115'	75
38	Multi Family	Townhomes	141
39	Singe Family	45' x 70'	91
	Total Phase 4		758

WINDEMERE PHASE 4

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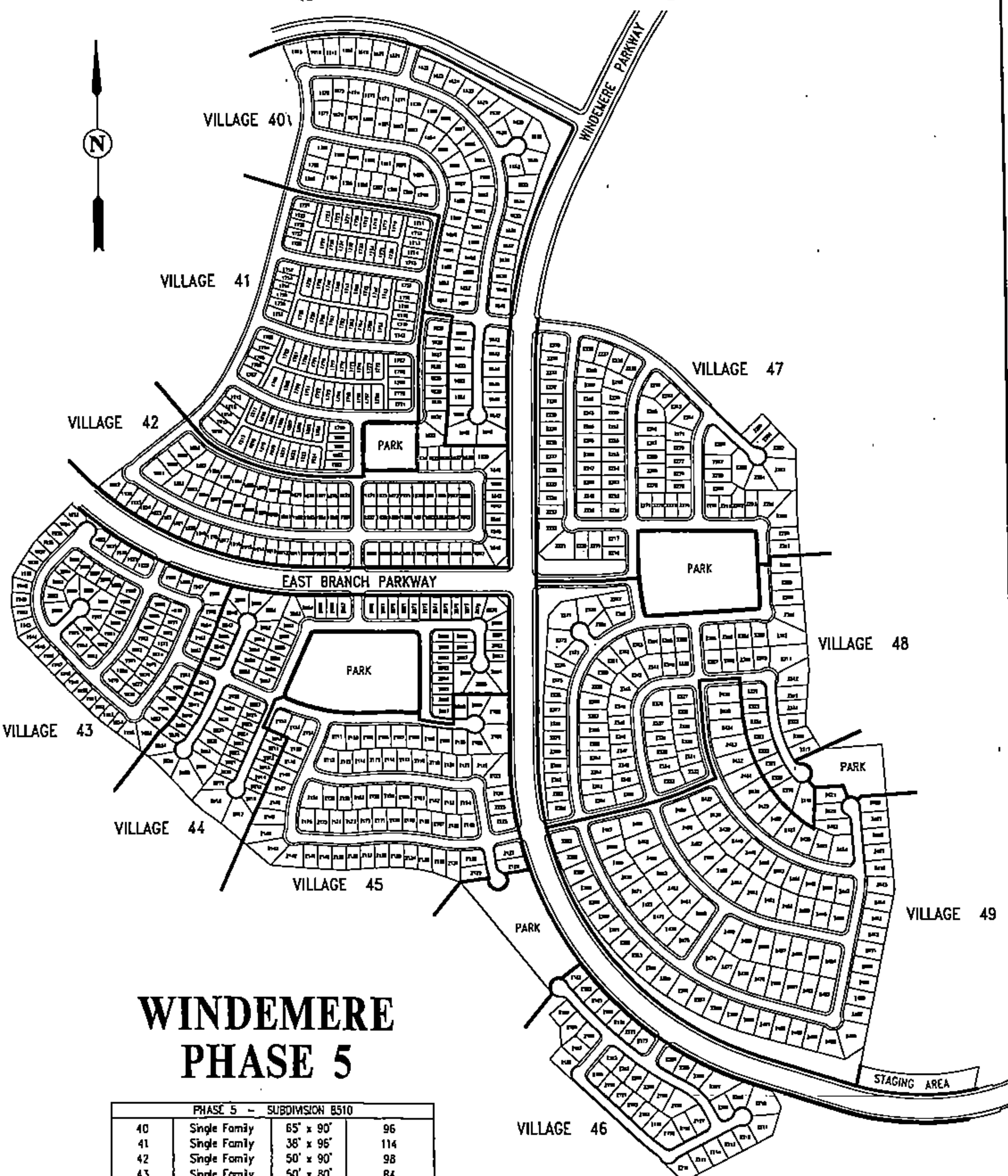

WINDEMERE
PHASE 5

PHASE 5 – SUBDIVISION 8510			
40	Single Family	65' x 90'	96
41	Single Family	38' x 96'	114
42	Single Family	50' x 90'	98
43	Single Family	50' x 80'	84
44	Single Family	45' x 90'	89
45	Single Family	60' x 100'	80
46	Single Family	65' x 90'	40
47	Single Family	55' x 100'	81
48	Single Family	60' x 100'	88
49	Single Family	70' x 115'	106
	Total Phase 5		876

cbg

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PUBLIC LAND USE CONTROLS

Flood Zone

According to Flood Insurance Rate Map (FIRM) 060025-0475B dated July 16, 1987, the subject property is predominately located in Zone C. This is an area of minimal flooding outside the 500-year floor plain. Flood insurance is available, but not required. However, a small percentage of the property, along both branches of the Alamo Creek, is currently in Flood Zone A. This is an area of 100-year flooding and flood insurance is mandatory. However, the project developer reported, that there are mitigation measures in place to remove this portion of property with engineering and grading efforts.

Seismic Hazard

Special Studies Zones are delineated and adopted by the State of California as part of the Alquist-Priolo Act of 1972. The subject property is not in a special studies (earthquake) zone as designated by the Alquist-Priolo Act.

Wetlands

Given the size and nature of this property, there were some wetlands discovered on the property site. However, the Department of Army Corps of Engineers regarding the wetlands on this property issued a permit dated March 21, 2000. According to this permit, a Windemere Mitigation and Monitoring Plan has been prepared for this property. It appears that wetland issues for this property have been considered in a professional manner, in conjunction with the Department of Army Corps of Engineers.

Endangered Species

No endangered species or endangered inhabitants were observed during inspection of the site. However, it appears that previous studies have identified this property to include the San Joaquin Kit Fox as well as the California red-legged frog. Both of these endangered species were noted on the Letter from the United States Department of the Interior, Fish and Wildlife Service to the US Army Corps of Engineers. This is a lengthy document that summarizes conclusions for development in conformance with recommendations to preserve these species. Upon review of this letter, it appears that mitigation measures have been implemented for the development of this site. It appears that these issues have been resolved.

The appraisers have noted to the best of our abilities, the findings associated with wetlands and endangered species. We are not experts in either field and do not warrant any findings with these elements. Issues noted above reflect summaries of information gathered in preparation of this assignment. The opinions of value demonstrated in this report are based on the assumption that there is no impact from either wetlands or endangered species located on the subject property. Refer to contingent and limiting conditions for further documentation.

Zoning / Public Land Restrictions

Land use restrictions are currently under the jurisdiction of Contra Costa County. The property owner, Contra Costa County Planning, and the City of San Ramon, indicate that as the property is developed, it will be annexed into the City of San Ramon. All of the properties which comprise the subject property were zoned P-1 by Contra Costa County Ordinance No. 95-56 on December 19, 1995. They were formerly zoned A-80 for agricultural use. The P-1 zoning in itself does not authorizer any particular use, but does vest the property with development rights. It also requires that any development plan be submitted to the county as a Planned Unit Development. It that way, it is the approved project that ultimately determines the potential use, and subsequent zoning.

Under the P-1 zoning, the county developed the Dougherty Valley Specific Plan, which dictates the land use for this area. Concurrently with the adoption of this specific plan, a development agreement was established from Contra Costa County and Windemere Ranch Partners (Seller of this property, refer to ownership section of this report). Under the terms of this agreement, this property is approved for 5,170 residential housing units for development, as well as 369,200 square feet of commercial space. The final map has been approved for Phase 2, whereas the tentative map for

Phases 3-5 is currently in process. It has been submitted to Contra Costa County planning and is scheduled to record within the next 60 days.

Land uses for this development were summarized in the neighborhood description, referenced in the summary of the Dougherty Valley Specific Plan. Essentially, development of this property is consistent with this plan and current zoning. Also, there is an affordable housing element established for all properties within the Dougherty Valley Specific Plan. This plan requires development of 25% of all dwelling units as affordable to low, very low, and moderate-income houses as defined by the county. Of the 5,170 units to be developed in the subject, 1,293 are required to meet this designation. This includes 840 units for the Moderate income requirement (120% of median income), 323 units for Low income requirements (80% of median income), and 129 units for Very-Low income requirements (50% of median income). The developers of this project have proposed alternatives to meet this requirement within the multi-family residential portion. This includes the sale of multi-family land to Fairfield Housing in Phase 1B of this project. This transaction included 100 very-low income units, 250 low-income requirements, and 650 moderate income requirements. In addition, Village 26 within Phase 3 of this project is identified for 29 very-low income units, 73 low income units, and 191 moderate income units. This creates a total of 129 very-low income units, 323 low-income units, and 841 moderate income units. Development of Village 26 with the affordable multi-family units meets the requirements of the affordable housing criteria established for this project.

In addition, the affordable housing criteria are also satisfied with respect to the detached units, with buyers with limited incomes, and large down-payments. Based on the total number of units constructed within this development, as well as the construction of some of the multi-family units with this element in consideration, the affordable housing element established for this community, is not considered a detriment for this property.

Taxes and Assessments

The subject property is presently identified on the tax roll of Contra Costa County as various parcel numbers. Further research into these parcels indicates no significant changes in the assessed value over the past three years other than increases in the value allowed under California Law (maximum of 2%). Critical elements in the derivation of properties taxes for the subject lots, on an "as proposed" basis are as follows.

Base Tax Rate:	1.0456%
Tax Area Code:	66-383

According to the Contra Costa County Tax Collector's Office, the annual local tax rate for the 2003-2004 tax year is approximately 1.0456% of the full cash value. In addition, the following charges are in addition to the base tax rate.

Emergency Med A	$ 4.00
Contra Costa Mosquito and Vector Control	$ 4.00
East Bay Regional Park District LLD	$ 5.44
Contra Costa County Federal Stormwater Fee	$ 30.00
Central Contra Costs Sanitary District Assessment	$272.00
TOTALS	$315.44

In addition, the subject properties include other direct levies and special assessments. The first of these districts is the Windemere Ranch Assessment District 1999-1 Series 1999 Bonds. The total authorized bond amount for the district is $125,000,000. In August 1999 $25,000,000 in bonds were issued, with $75,000,000 issued in June 2000. The remaining $25,000,000 was issued in April 2002. The 2002 Bonds are the final series of bonds to be issues for the district in that the $125,000,000 total authorized amount to finance improvements of benefit to property within the district will have been reached upon issuance of the 2002 Bonds. This district was formed to finance infrastructure and obtain water rights for Windemere Ranch.

It was reported by the developer that approximately $84 million in these bonds are utilized to offset infrastructure costs for this project. Portions of this total are being repaid by the developers and were reported at $7,325,000 in applicable costs. However, the assessments identified for the homeowner's, as well as for the holding costs have been predicated on the entire $125 million for this project. The developers of this project modified the criteria for spreading this assessment in March 2002. The result of the foregoing, is based on the parcels of land identified in Phase 1 and was projected based on the number of equivalent number of equivalent dwelling units (EDU'S) for phase 1. In March 2002, the developer requested that the original assessment be reapportioned due to filing of certain subdivision maps and more definitive plans for build-out of the project. In accordance of this request, the assessment was reallocated, which reallocation established an EDU of 1.00 for single family dwellings planed in the project. Accordingly, the assessments based on the classification of lots are as follows.

Classification	Lot Size	Approximate Assessment/DU
SFD-1	43' x 67'	$20,176
SFD-2	45' x 85'	$23,844
SFD-3	50' x 80'	$27,513
SFD-4	50' x 95'	$33,015
SFD-5	55' x 105'	$36,684
SFD-6	60' x 100'	$40,352
SFD-8	70' x 115'	$66,031
SFA1	Townhouse	$16,508
SFA2	Condominium	$9,171
MF VL	Apartment	$3,668
MF MOD	Apartment	$3,668

This assessment is identified for a 30 year period. Utilizing an average rate of 5%, the average annual bond payment for each product type is identified on the following table.

Classification	Approximate Assessment/DU	Annual Bond Payment @ 5%
SFD-1	$20,176	$1,312.49 ($109/mo.)
SFD-2	$23,844	$1,551.09 ($129/mo.)
SFD-3	$27,513	$1,789.76 ($149/mo.)
SFD-4	$33,015	$2,147.67 ($179/mo.)
SFD-5	$36,684	$2,386.35 ($199/mo.)
SFD-6	$40,352	$2,624.96 ($219/mo.)
SFD-8	$66,031	$4,295.41 ($358/mo.)
SFA1	$16,508	$1,073.87 ($89/mo.)
SFA2	$9,171	$596.59 ($50/mo.)
MF VL	$3,668	$238.60 ($20/mo.)
MF MOD	$3,668	$238.60 ($20/mo.)

The second district is County Service Area Maintenance District 29 Dougherty Valley (CSA-M29). According to the Memorandum of Understanding recorded January 8, 1998, the CSA-M29 District will collect an assessment to provide for services, which may include, but are not limited to, police service, operation and maintenance of parks, trails, recreation areas, open space, special landscaping areas, the library, community center, senior center, corporation yard, flood control and storm drainage facilities, and interior road network, including bicycle paths and park-and-ride lots, located in Dougherty Valley. The total annual assessment for the 2003-2004 tax year is $982.10 per unit for single-family lots and town homes or condominiums. This assessment is subject to CPI increases and is anticipated to continue in perpetuity.

The next district in the Geological Hazard Abatement District (GHAD) 90-01. According to the agreement entitled GHAD Annexation Agreement, dated July 16, 1997, the GHAD assessment is collected for the purpose of prevention, mitigation, abatement or control of geological hazards within the Windemere site, and mitigation or abatement of structural hazards that are partly or wholly caused by geological hazards within the Windemere site. According to the City of San Ramon Engineering Department, administrators of the GHAD assessment, the annual assessment for the 2003-2004 tax year is approximately $101 per unit, per year for single family lots and town homes or condominiums within Dougherty Valley. The assessment may be adjusted annually to reflect the percentage change in the Consumer

Price Index over the prior twelve month period and it is anticipated that than annual assessment will not exceed $250 per unit, per annum. The GHAD assessment is anticipated to be collected in perpetuity.

The last current assessment for this area is the Dublin San Ramon Services District – Dougherty Valley Standby Charge District 2001-1 (DV District 2001-1). This assessment is collected to pay for the annual costs necessary to secure certain water rights for the Dougherty Valley area. The annual assessment for single family lots within Windemere is approximately $65.58 per lot for the 2003-2004 tax year. This assessment is adjusted annually based on the actual costs. Based on these calculations, the current assessments based on lot type are as follows.

Classification	Lot Size	Additional Charges	Wind. Ranch 1999-1	CSA-M29	GHAD 90-1	DV Dist. 2001-1	Totals
SFD-1	43' x 67'	$315.44	$1,312.49	$982.10	$101.00	$65.58	$2,776.61
SFD-2	45' x 85'	$315.44	$1,551.09	$982.10	$101.00	$65.58	$3,045.21
SFD-3	50' x 80'	$315.44	$1,789.76	$982.10	$101.00	$65.58	$3,253.88
SFD-4	50' x 95'	$315.44	$2,147.67	$982.10	$101.00	$65.58	$3,611.79
SFD-5	55' x 105'	$315.44	$2,386.35	$982.10	$101.00	$65.58	$3,850.47
SFD-6	60' x 100'	$315.44	$2,624.96	$982.10	$101.00	$65.58	$4,089.08
SFD-8	70' x 115'	$315.44	$4,295.41	$982.10	$101.00	$65.58	$5,759.53
SFA1	Townhouse	$315.44	$1,073.87	$982.10	$101.00	$65.58	$2,537.99
SFA2	Condominium	$315.44	$596.59	$982.10	$101.00	$65.58	$2,060.71
MF VL	Apartment	$315.44	$238.60	$0	$0	$65.58	$619.62
MF MOD	Apartment	$315.44	$238.60	$0	$0	$65.58	$619.62

In addition, the developers of this project are planning to form a Community Facilities District (ABAG CDF No. 2004-2) for the purposes of financing certain infrastructure within Windemere Phases 2 through 5 which may include, but are not limited to, roads, parks, schools, water quality ponds and creek improvements. This district has not yet been formed; however it is the intention of the developers of this project to have the annual local tax rate when combined with the new community facilities district to be approximately 1.7% of the purchase price of the home. The following schedule was provided by the developer pertaining to the proposed maximum special tax for this assessment district.

Classif.	Lot Size	Estimated Value	Maximum SFD Special Tax	% of Value	Base Taxes 1.0456%	Existing Levies/ Spec. Asses.	Totals	Totals % of Est. Value
SFD-1	43' x 67'	$614,000	$890.00	0.14%	$6,419.98	$2,776.61	$10,086.59	1.64%
SFD-2	45' x 85'	$695,000	$1,130.00	0.15%	$7,266.92	$3,045.21	$11,442.13	1.65%
SFD-3	50' x 80'	$721,000	$1,210.00	0.16%	$7,538.78	$3,253.88	$12,002.66	1.66%
SFD-4	50' x 95'	$815,000	$1,370.00	0.16%	$8,521.64	$3,611.79	$13,503.43	1.66%
SFD-5	55' x 105'	$855,000	$1,440.00	0.16%	$8,939.88	$3,850.47	$14,230.35	1.66%
SFD-6	60' x 100'	$950,000	$1,710.00	0.17%	$9,933.20	$4,089.08	$15,732.28	1.66%
SFD-8	70' x 115'	$1,100,000	$1,970.00	0.17%	$11,501.60	$5,759.53	$19,231.13	1.75%
SFA1	Townhouse	$613,000	$1,210.00	0.19%	$6,409.53	$2,537.99	$10,157.52	1.66%
SFA2	Condominium	$418,000	$530.00	0.12%	$4,370.61	$2,060.71	$6,961.32	1.67%

The total property tax and assessment liability ranges from 1.64% to 1.75% including the anticipated assessment for the ABAG CFD-2004-2 project. The total existing levies and special assessments, as well as the new community facilities district proposed for this project will be utilized in this analysis. In reaching our opinion of market value of the subject property, we assumed the property was subject to (a) the existing levies and special assessments described above and (b) the anticipated special tax levies for Phases 2-5 to result from formation of ABAG Finance Authority for Nonprofit Corporation Community Facilities District No. 2004-2 (Windemere Ranch), as described in the preceding table.

Tax rates are also limited by Proposition 13 to 2% of the property's assessed value. Increases in this rate can only be achieved by special assessments approved by the voters. Additional assessments cannot be legislated. Most total tax rates in Contra Costa County are between 1.00% and 1.15% of the assessed value. The subject's tax rate is near the lower end of the county range. Taxes are levied for a fiscal year of July through June. They are paid in semi-annual installments being delinquent in December and April, respectively.

PROJECT OVERVIEW

This section of the report will summarize the project from initial site development of the "backbone" infrastructure to the proposed construction of detached houses and multi-family units within the project. As mentioned in the ownership and history of the property section of this report, this property recently transferred to the Windemere BLC Land Company LLC in April 2000. The contract dates back to 1998 when the buyer's of this property paid option payments to the seller to secure the rights to purchase this property.

Development of the "Backbone" Infrastructure

The development of this project is currently proposed for the development of the "backbone" infrastructure on a phase-by-phase basis. Essentially, this creates finished pads ready to accommodate completion of the in-tract improvements by developers to create finished lots, as well as the subsequent development of production homes and multi-family units. However, prior to the initial delivery of lots in Phase 1A, all three of the project developer's decided to acquire finished lots as their basis, due to competition for engineering companies for the development of the "in-tract" improvements.

The following is a summary of the site development costs necessary to bring this property in its vacant land condition, to a "backbone" status. The applicable "in-tract" costs are identified following this section of the report. Included in these costs are various components necessary for the overall development including construction of schools, fire stations, hiking trails, etc. This includes improvements necessary for the entire site prior to completion and/or delivery of finished lots. In order to offset some of these costs, the developers of this property have formed an assessment district for the entire project. This ultimately increases the tax basis for all of the lots in the project, which will include a higher payment with annual taxes. Also, the appraiser's are basing the costs provided for this analysis on a phase-by-phase basis.

As noted throughout this report, the subject property reflects the last three phases of development for this project. Phase 1 of this project included the development of 930 detached residential lots, a townhouse and condominium site, 15.62 acres of commercial land and multi-family development for affordable units (1,000 units). The total net backbone costs for this phase were $88,813,756 or approximately $95,499 per lot based on the detached units only. This phase benefited from the ABAG bond (Windemere Ranch Assessment District 1999-1 Series 1999 Bonds), which reimbursed $81,542,933 in costs as the total overall costs were $170,356,689 for this phase.

Phase II of this project included 448 detached residential lots and the total backbone infrastructure costs for this phase were $47,182,484 or $105,318 per lot. These costs are provided for historic references and utilized for reconciliation of the total costs identified for the subject property.

The first step in this analysis is to identify the applicable summary and detailed cost estimates for Community Facilities District No. 2004-2. The total costs identified equate to $47,660,500, however it was reported by the developer that the Mello-Roos special tax bonds to be issued with respect to Phases 2-5 of Windemere Ranch will generate the following funds for reimbursement of the developer: (a) approximately $23.6 million as a result of a first series of bonds to be issued in June 2004 and (b) approximately $6.8 million from a second series anticipated to be sold in 2006. Although this appraisal assumes that the second series of bonds will be issued, it should be noted that no assurances that a second series of bonds will be issued and, as a result, the $6.8 million anticipated to be generated by a second series of bonds might not be available. The table on the following page summarizes the total costs identified by Carlson, Barbee, & Gibson, dated April 15, 2004. Detailed costs are contained in the addenda of this report.

	COSTS				
Description	Phase 2	Phase 3	Phase 4	Phase 5	Total
Albion Road	$2,541,200	-$0-	-$0-	-$0-	$2,541,200
Windemere Parkway	$5,906,900	-$0-	-$0-	$11,122,500	$17,029,400
East Branch Parkway	-$0-	-$0-	$7,154,200	$3,491,200	$10,645,400
Z Street	-$0-	$3,701,900	-$0-	-$0-	$3,701,900
X Street	-$0-	-$0-	$2,097,800	$1,540,800	$3,638,600
Water Quality Pond 6	$171,000	-$0-	-$0-	-$0-	$171,000
Water Quality Pond 7	$231,000	-$0-	-$0-	-$0-	$231,000
Water Quality Pond 8	$134,000	-$0-	-$0-	-$0-	$134,000
Water Quality Pond 11	-$0-	-$0-	$454,000	-$0-	$454,000
Water Quality Pond 14	-$0-	-$0-	-$0-	$552,000	$552,000
Parks (260,000/ac)	$2,443,000	$1,372,000	$502,000	-$0-	$4,317,000
Phase 2 Creeks	$575,000	-$0-	-$0-	-$0-	$575,000
Phase 3 Creeks	-$0-	$134,000	-$0-	-$0-	$134,000
Phase 4 Creeks	-$0-	-$0-	$227,000	-$0-	$227,000
Japonica Bridge	-$0-	$2,909,000	-$0-	-$0-	$2,909,000
Middle School Storm Drain	-$0-	-$0-	$247,000	-$0-	$247,000
Middle School Sewer System	-$0-	-$0-	$153,000	-$0-	$153,000
TOTALS	**$12,002,100**	**$8,116,900**	**$10,835,000**	**$16,706,500**	**$47,660,500**

These costs are applied as an offset to the reported infrastructure development costs up to $40,510,000. There was no detailed schedule provided in this analysis including the applicable reimbursements, however, the developer's representative Don Larson, provided these estimates to the appraiser. The applicable schedule includes the following phase-by-phase.

	REIMBURSEMENTS				
Year	Phase 2	Phase 3	Phase 4	Phase 5	Total
2004	$12,002,100	$0	$5,417,500	$0	$17,419,600
2005	$0	$0	$5,417,500	$11,137,667	$16,555,167
2006	$0	$966,400	$0	$5,568,833	$6,535,233
TOTALS	**$12,002,100**	**$966,400**	**$10,835,000**	**$16,706,500**	**$40,510,000**

Essentially, only $28,507,900 is applicable reimbursements ($40,510,000 - $12,002,100) in this analysis as the developers are paying themselves for work already included in Phase 2 of this project. The remaining reimbursements are applied to the following infrastructure costs reported by the developer in the year they actually occur.

The following is a summary of the applicable infrastructure costs for this project. It should be noted that there are no applicable "backbone" infrastructure costs or in-tract improvements for Phase 2 of this project as all site work has been completed for this phase of development.

Phase 4 "Backbone" Infrastructure Costs

The costs for Phase 4 "backbone" infrastructure costs have already commenced, although to a lesser degree than the other phases of development. The total costs for Phase 4 "backbone" infrastructure improvements total $55,534,366. This includes the $10,835,000 in reimbursements identified for the proposed assessment district. In addition, there are significant costs identified in this phase of the development which generally include the costs allocated for the construction of the Middle School. The construction of the elementary school is identified within Phase 5 of this project, although identified in this phase of development. It was reported by the developer, that the State of California will ultimately reimburse the entire costs for this portion of the project however, these reimbursements were only identified at $4,632,168 as of the effective date of valuation. While the remaining costs might ultimately be reimbursed, they were not secured by the developer and have not been included in these costs. As noted on the table on the following page,

$19,852,953 in costs has been allocated as of the end of March 2004. Remaining costs for this phase of development equate to **$35,681,413** for this phase of development.

PHASE 4
SUMMARY OF BACKBONE INFRASTRUCTURE COSTS

ITEM		TOTAL COSTS Engineers Estimates		Spent Through Mar-04 Periods 1-38		Remaining Costs Engineers Estimates
Engineering, Consulting, Fees	$	8,060,883	$	3,431,164	$	4,629,719
Schools Reimbursements	$	(4,632,168)	$	-	$	(4,632,168)
Schools	$	28,382,168	$	2,251,475	$	26,130,693
Grading	$	15,715,819	$	12,619,978	$	3,095,841
Fire Station	$	-	$	-	$	-
Miscellaneous Special Conditions	$	1,648,438	$	121,096	$	1,527,342
Retention	$	100,000			$	100,000
Temporary Erosion	$	1,642,400	$	753,357	$	889,043
Sewer	$	246,100	$	35,157	$	210,943
Water	$	712,465	$	1,237	$	711,228
Storm Drain	$	886,281	$	460,187	$	426,094
Street Improvements	$	2,317,787	$	41,338	$	2,276,449
Dry Utilities	$	1,526,500	$	6,400	$	1,520,100
Perimeter / Retaining Walls	$	862,500	$	-	$	862,500
Special Amenities	$	-	$	-	$	-
Entry Features	$	-	$	-	$	-
Landscaping	$	1,499,050	$	-	$	1,499,050
Parks & Landscaping	$	4,806,370	$	1,000	$	4,805,370
Refunds	$	(125,400)	$	4,600	$	(130,000)
Repair / Replacement	$	74,938	$	-	$	74,938
Contingency	$	2,645,235	$	125,964	$	2,519,271
Totals	$	66,369,366	$	19,852,953	$	46,516,413
ABAG Bond Reimbursements	$	(10,835,000)	$	-	$	(10,835,000)
Infrastructure Costs - Entire Phase	**$**	**55,534,366**	**$**	**19,852,953**	**$**	**35,681,413**

The phase 4 "backbone" costs identified above equate to $35,681,413 in remaining costs.

Phase 3 "Backbone" Infrastructure Costs

The costs for Phase 3 "backbone" infrastructure costs have already commenced. The total costs for Phase 3 "backbone" infrastructure improvements total $81,740,271. This includes the $966,400 in reimbursements identified for the proposed assessment district. Also, these costs are reduced by $2,100,000, which represents the portion of "backbone" infrastructure costs allocated toward the multi-family component for this project. In addition, there are significant costs identified in this phase of the development which generally include the costs allocated for the construction of the High School site. It was reported by the developer, that the State of California will ultimately reimburse the overall costs for this portion of the project, however, these reimbursements were not secured as of the effective date of valuation, and the developer has opted not to include these offsets in the cash flow for this project. As noted on the table on the following page, $17,666,272 in costs has been allocated as of the end of March 2004. Remaining costs for this phase of development equate to **$61,973,999** for this phase of development. This is for the land uses in this project, excluding the multi-family component.

PHASE 3
SUMMARY OF BACKBONE INFRASTRUCTURE COSTS

ITEM		TOTAL COSTS Engineers Estimates		Spent Through Mar-04 Periods 1-38		Remaining Costs Engineers Estimates
Engineering, Consulting, Fees	$	9,700,283	$	3,165,140	$	6,535,143
School Reimbursements	$	-	$	-	$	-
Schools	$	35,000,000	$	32,368	$	34,967,632
Grading	$	18,947,423	$	12,067,541	$	6,879,882
Fire Station	$	-	$	-	$	-
Miscellaneous Special Conditions	$	2,167,600	$	913,708	$	1,253,892
Detention	$	210,700	$	-	$	210,700
Temporary Erosion	$	1,500,000	$	1,074,366	$	425,634
Sewer	$	227,955	$	-	$	227,955
Water	$	768,025	$	150,448	$	617,577
Storm Drain	$	1,102,288	$	121,412	$	980,876
Street Improvements	$	5,353,199	$	27,081	$	5,326,118
Dry Utilities	$	1,562,000	$	-	$	1,562,000
Perimeter / Retaining Walls	$	734,200	$	-	$	734,200
Special Amenities	$	-				
Entry Features	$	-	$	-	$	-
Landscaping	$	721,790	$	-	$	721,790
Parks & Landscaping	$	2,126,990	$	30,274	$	2,096,716
Refunds	$	(469,000)	$	7,290	$	(476,290)
Repair / Replacement	$	64,120	$	-	$	64,120
Contingency	$	2,989,098	$	76,644	$	2,912,454
Totals	$	82,706,671	$	17,666,272	$	65,040,399
ABAG Bond Reimbursements	$	(966,400)	$	-	$	(966,400)
Less Allocation to Multi-Family Units	$	(2,100,000)				
Infrastructure Costs - Entire Phase	$	79,640,271	$	17,666,272	$	61,973,999

The phase 3 "backbone" costs identified above equate to $61,973,999 in remaining costs.

Phase 5 "Backbone" Infrastructure Costs

The costs for Phase 5 "backbone" infrastructure costs have already commenced, although to a lesser degree than the other phases of development. The total costs for Phase 5 "backbone" infrastructure improvements total $54,129,410. This includes the $16,706,500 in reimbursements identified for the proposed assessment district. In addition, there are significant costs identified in this phase of the development which generally include the costs allocated for the construction of the Elementary School site (located in Phase 3, but constructed in this phase). It was reported by the developer, that the State of California will ultimately reimburse the overall costs for this portion of the project, however, these reimbursements were not secured as of the effective date of valuation, and the developer has opted not to include these offsets in the cash flow for this project. As noted on the table on the following page, $3,733,311 in costs has been allocated as of the end of March 2004. Remaining costs for this phase of development equate to $50,396,099 for this phase of development.

PHASE 5
SUMMARY OF BACKBONE INFRASTRUCTURE COSTS

ITEM	TOTAL COSTS Engineers Estimates		Spent Through Mar-04 Periods 1-38		Remaining Costs Engineers Estimates	
Engineering, Consulting, Fees	$	8,906,005	$	1,156,679	$	7,749,326
Schools	$	16,500,000	$	-	$	16,500,000
Grading	$	20,462,197	$	2,042,011	$	18,420,186
Fire Station	$	-	$	-	$	-
Miscellaneous Special Conditions	$	1,520,000	$	68,929	$	1,451,071
Retention	$	150,000	$	-	$	150,000
Temporary Erosion	$	2,111,200	$	132,678	$	1,978,522
Sewer	$	132,900	$	-	$	132,900
Water	$	1,218,955	$	-	$	1,218,955
Storm Drain	$	1,238,131	$	-	$	1,238,131
Street Improvements	$	6,089,670	$	3,117	$	6,086,553
Dry Utilities	$	3,022,400	$	323,017	$	2,699,383
Perimeter / Retaining Walls	$	1,865,040	$	-	$	1,865,040
Special Amenities	$	-				
Entry Features	$	-	$	-	$	-
Landscaping	$	2,582,370	$	-	$	2,582,370
Parks & Landscaping	$	4,972,980	$	-	$	4,972,980
Refunds	$	(15,630,920)	$	6,880	$	(15,637,800)
Windemere Parkway	$	11,435,134	$	-	$	11,435,134
Repair / Replacement	$	111,714	$	-	$	111,714
Contingency	$	4,148,134	$	-	$	4,148,134
Totals	$	70,835,910	$	3,733,311	$	67,102,599
ABAG Bond Reimbursements	$	(16,706,500)	$	-	$	-
Net Infrastructure Costs	**$**	**54,129,410**	**$**	**3,733,311**	**$**	**50,396,099**

Conclusion – Remaining "Backbone" Infrastructure Costs

The following table summarizes the remaining "backbone" infrastructure costs identified for this project. These reflect the overall costs after the reimbursements for the proposed assessment district.

Item	Total Remaining Costs
Phase 4	$35,681,413
Phase 3	$61,973,999
Phase 5	$50,396,099
TOTALS	$148,051,511

Overall these costs are fairly consistent from phase to phase. However, the overall costs per unit are higher for Phase 3 as this project includes only 384 detached lots. In addition, this phase includes construction of the proposed high-school site, as well as a condominium site for 179 units. This property will be sold as a "superpad" and costs identified for these two project areas are included in the backbone costs as there are no additional costs for in-tract improvements.

"In-tract Development Costs"

In addition to the development of the "backbone" infrastructure costs, there are "in-tract" costs identified for this project. These represent the applicable costs identified for completion of the sites from a "superpad" condition (at completion of "backbone" infrastructure) to finished lots. These costs have been identified per phase.

Phase 4 – 526 Detached Lots, 141 Townhouse Units, 91 Courtyard Units

DETACHED LOTS				
Village	Lot Size (SF)	# of Lots	Total Costs	Per Lot
32	45' x 90' - (4,050 sf)	103	$3,244,900	$31,504
33	50' x 80' - (4,000 sf)	97	$2,950,326	$30,416
34	50' x 90' - (4,500 sf)	94	$3,210,707	$34,156
35	65' x 90' - (5,850 sf)	78	$2,870,886	$36,806
36	55' x 100' - (5,500 sf)	79	$2,781,149	$35,204
37	70' x 115' - (8,050 sf)	75	$2,842,194	$37,896
TOTALS		526	$17,900,162	$34,031
TOWNHOUSE AND COURTYARD LOTS				
Village	Lot Size (SF)	# of Lots	Total Costs	Per Lot
38	Townhouse	141	$295,031	$2,092
39	Courtyard	91	$359,071	$3,946
TOTALS		232	$654,102	$2,819

The overall costs for this phase of development equate to $34,031 per unit, on average for the detached residential lots, and approximately $2,819 per unit for the townhouse and courtyard projects. However, there are line items in the pro-forma for both of these project areas (Village 38 and 39) for direct site costs in the home development budget. These costs include $43,282 per unit for Village 38 and $31,687 for Village 39. These costs have been included in the in-tract budget for each of these projects.

Phase 3 – 381 Detached Lots, 182 Condominium Units, 293 Affordable Multi-Family Units

DETACHED LOTS				
Village	Lot Size (SF)	# of Lots	Total Costs	Per Lot
28	45' x 85' - (3,825 sf)	83	$2,498,627	$30,104
29	50' x 90' - (4,500 sf)	99	$3,440,320	$34,751
30	55' x 100' - (5,500 sf)	99	$3,360,152	$33,941
31	60' x 100' - (6,000 sf)	103	$3,681,822	$35,746
TOTALS		384	$12,980,921	$33,804

The total in-tract costs for Phase 3 are identified at $12,890,921 or approximately $33,804 per lot. There are no in-tract costs identified for the condominium site as this component will be developed to a "superpad" condition or effectively at completion of the backbone infrastructure.

Phase 5 – 876 Detached Lots

DETACHED LOTS				
Village	Lot Size (SF)	# of Lots	Total Costs	Per Lot
40/46	65' x 90' - (5,850 sf)	136	$4,982,319	$36,635
41	38' x 96' - (3,648 sf)	114	$4,675,155	$41,010
42	50' x 90' - (4,500 sf)	98	$2,762,427	$28,188
43	50' x 80' - (4,000 sf)	84	$2,535,753	$30,188
44	45' x 90' - (4,050 sf)	89	$2,799,374	$31,454
45/48	60' x 100' - (6,000 sf)	168	$6,045,957	$35,988
47	55' x 100' - (5,500 sf)	81	$3,188,380	$39,363
49	70' x 115' - (8,050 sf)	106	$3,631,188	$34,256
TOTALS		876	$30,620,553	$34,955

The total costs for the "in-tract" costs for Phase 5 equate to $30,620,553 or approximately $34,955 per lot.

Conclusion – "In-Tract" Costs

The total project "In-Tract" costs for this project are as follows.

Item	Total Costs	# of Units	Per Lot Costs
Phase 4 (Detached)	$17,900,162	526	$34,031
Phase 4 (TH, Courtyard)	$654,102	232	$2,819
Phase 3	$12,980,921	384	$33,804
Phase 5	$30,620,553	876	$34,955
TOTALS	$62,155,738	2,018	$30,801

Calculations of Finished Lot Basis for Acquisition

As noted in the history of the property section of this report, this property is owned by the Windemere BLC Land Company LLC, which is comprised of Lennar Communities, Centex Homes, and Brookfield Homes. All of these entities have home building operations and intend on developing the majority of the property. The development arm for Lennar Communities is Greystone Homes. There are purchase contracts written for this project, whereby these corporations/developers will purchase the lots from the land entity on a finished lot basis.

Each of the land classifications identified in this project has a detailed calculation of the finished lot value. This represents the basis in which the three developers for this project acquire the finished lots and it is ever changing as noted in the *History of the Property Section of this report.* The following tables summarize the calculations of the applicable finished lot value for this project. This is based on the most recent allocation as utilized in the derivation of land value for Phase 4 of this project. It was reported by the developer that this was the most recent pro-forma for this project which was prepared in December 2003.

Village 32 – 45' x 90' – 4,050 sf Typical Lot Size

Village 32			
Item	**Description**	**Item**	**Description**
Average Unit Size - 2,400 sf			
Price per sf	$288.00	Building Costs / sf	$74.50
Revenues		*Hard Costs*	
Base Home	$692,217	Base House Cost	$178,800
Lot Premium	$0	Building Permits	$3,811
Upgrades (not yet allocated)	$0	Fees	$30,593
Total Home Price	$692,217	Total Hard Costs	$213,204
Net Proceeds - $479,013			
Soft Costs		*Soft Costs*	
Site Indirects (3.0%)	$20,767	Overhead (3.0%)	$20,767
Sales and Marketing (6%)	$41,533	Cost of Funds (4.5%)	$31,150
Warranty (0.75%)	$5,192	Margin (8.0%)	$55,377
Total Soft Costs – $174,786			
Residual Value – $304,227			
Finished Lot Value by Residual Analysis – $304,000 RD			

According to the developer's pro-forma, the finished lot value for this project equates to $304,000 per lot according to the developers calculations. It was based on an 8.00% margin based on the total sales price, exclusive of lot premiums. The land value by this method equates to approximately 43.9% of the total home price projected for this project.

Village 33 – 50' x 80' – 4,000 sf Typical Lot Size

Village 33			
Item	**Description**	**Item**	**Description**
Average Unit Size - 2,500 sf			
Price per sf	$280.00	Building Costs / sf	$74.00
Revenues		*Hard Costs*	
Base Home	$700,923	Base House Cost	$185,000
Lot Premium	$0	Building Permits	$4,264
Upgrades (not yet allocated)	$0	Fees	$30,593
Total Home Price	$700,923	Total Hard Costs	$219,857
Net Proceeds - $481,066			
Soft Costs		*Soft Costs*	
Site Indirects (3.0%)	$21,028	Overhead (3.0%)	$21,028
Sales and Marketing (6%)	$42,055	Cost of Funds (4.5%)	$31,542
Warranty (0.75%)	$5,257	Margin (8.0%)	$56,074
Total Soft Costs – $176,984			
Residual Value – $304,082			
Finished Lot Value by Residual Analysis – $304,000 RD			

According to the developer's pro-forma, the finished lot value for this project equates to $340,000 per lot according to the developers calculations. It was based on an 8.00% margin based on the total sales price, exclusive of lot premiums. The land value by this method equates to approximately 48.5% of the total home price projected for this project.

Village 34 – 50' x 90' – 4,500 SF Typical Lot Size

Village 34			
Item	**Description**	**Item**	**Description**
Average Unit Size - 2,900 sf			
Price per sf	$269.00	Building Costs / sf	$72.00
Revenues		*Hard Costs*	
Base Home	$779,286	Base House Cost	$208,800
Lot Premium	$0	Building Permits	$5,203
Upgrades (not yet allocated)	$0	Fees	$30,593
Total Home Price	$779,286	Total Hard Costs	$244,596
Net Proceeds - $534,690			
Soft Costs		*Soft Costs*	
Site Indirects (3.0%)	$23,379	Overhead (3.0%)	$23,379
Sales and Marketing (6%)	$46,757	Cost of Funds (4.5%)	$35,068
Warranty (0.75%)	$5,848	Margin (8.0%)	$62,343
Total Soft Costs – $196,774			
Residual Value – $337,916			
Finished Lot Value by Residual Analysis – $338,000 RD			

According to the developer's pro-forma, the finished lot value for this project equates to $338,000 per lot according to the developers calculations. It was based on an 8.00% margin based on the total sales price, exclusive of lot premiums. The land value by this method equates to approximately 43.3% of the total home price projected for this projected for this project.

Village 35 – 65' x 90' – 5,850 SF Typical Lot Size

Village 35			
Item	Description	Item	Description
Average Unit Size - 3,600 sf			
Price per sf	$240.00	Building Costs / sf	$71.50
Revenues		*Hard Costs*	
Base Home	$863,055	Base House Cost	$257,400
Lot Premium	$0	Building Permits	$6,250
Upgrades (not yet allocated)	$0	Fees	$30,593
Total Home Price	$863,055	Total Hard Costs	$294,243
Net Proceeds - $568,812			
Soft Costs		*Soft Costs*	
Site Indirects (3.0%)	$25,892	Overhead (3.0%)	$25,892
Sales and Marketing (6%)	$51,783	Cost of Funds (4.5%)	$38,837
Warranty (0.75%)	$6,473	Margin (8.0%)	$69,044
Total Soft Costs – $217,921			
Residual Value – $350,891			
Finished Lot Value by Residual Analysis – $351,000 RD			

According to the developer's pro-forma, the finished lot value for this project equates to $351,000 per lot according to the developers calculations. It was based on an 8.00% margin based on the total sales price, exclusive of lot premiums. The land value by this method equates to approximately 40.7% of the total home price projected for this projected for this project.

Village 36 – 55' x 100' – 5,500 SF Typical Lot Size

Village 36			
Item	**Description**	**Item**	**Description**
Average Unit Size - 3,400 sf			
Price per sf	$245.00	Building Costs / sf	$71.75
Revenues		***Hard Costs***	
Base Home	$834,354	Base House Cost	$243,950
Lot Premium	$0	Building Permits	$6,107
Upgrades (not yet allocated)	$0	Fees	$30,593
Total Home Price	$834,354	Total Hard Costs	$280,650
Net Proceeds - $553,704			
Soft Costs		***Soft Costs***	
Site Indirects (3.0%)	$25,031	Overhead (3.0%)	$25,031
Sales and Marketing (6%)	$50,061	Cost of Funds (4.5%)	$37,546
Warranty (0.75%)	$6,258	Margin (8.0%)	$66,748
Total Soft Costs – $210,675			
Residual Value – $343,029 *Finished Lot Value by Residual Analysis – $343,000 RD*			

According to the developer's pro-forma, the finished lot value for this project equates to $343,000 per lot according to the developers calculations. It was based on an 8.00% margin based on the total sales price, exclusive of lot premiums. The land value by this method equates to approximately 41.1% of the total home price projected for this projected for this project.

Village 37 – 70' x 115' – 8,050 SF Typical Lot Size

Village 37			
Item	**Description**	**Item**	**Description**
Average Unit Size - 4,000 sf			
Price per sf	$240.00	Building Costs / sf	$71.50
Revenues		***Hard Costs***	
Base Home	$958,950	Base House Cost	$286,000
Lot Premium	$0	Building Permits	$6,454
Upgrades (not yet allocated)	$0	Fees	$30,593
Total Home Price	$958,950	Total Hard Costs	$323,047
Net Proceeds - $635,903			
Soft Costs		***Soft Costs***	
Site Indirects (3.0%)	$28,769	Overhead (3.0%)	$28,769
Sales and Marketing (6%)	$57,537	Cost of Funds (4.5%)	$43,153
Warranty (0.75%)	$7,192	Margin (8.0%)	$76,716
Total Soft Costs – $242,136			
Residual Value – $393,767 *Finished Lot Value by Residual Analysis – $394,000 RD*			

According to the developer's pro-forma, the finished lot value for this project equates to $394,000 per lot according to the developers calculations. It was based on an 8.00% margin based on the total sales price, exclusive of lot premiums. The land value by this method equates to approximately 41.1% of the total home price projected for this projected for this project.

Conclusion Revenue Projections – Finished Lots

Village	32	33	34	35	36	37
Typical Lot Size (sf)	4,050 sf	4,000 sf	4,500 sf	5,850 sf	5,500 sf	8,050 sf
Home Price	$692,217	$700,923	$779,286	$863,055	$834,354	$958,950
Average SF	2,400 sf	2,500 sf	2,900 sf	3,600 sf	3,400 sf	4,000 sf
Finished Lot Value	$304,000	$304,000	$338,000	$351,000	$343,000	$394,000
% of Home Price	43.9%	48.5%	43.0%	40.7%	41.1%	41.1%

Overall, the information provided by the developer regarding the proposed construction and pricing will be utilized as the basis for comparison in the market analysis section of this report.

Townhouse and Courtyard Uses

In addition to the residual analysis for the detached units, the developer's identified a minimum value for the townhouse units and courtyard units identified within Phase 4 of this project. A summary of these calculations are as follows.

Village 38 – Townhouse Units

Village 38			
Item	Description	Item	Description
Average Unit Size - 2,227 sf			
Price per sf	$244.00	Building Costs / sf	$95.00
Revenues		*Hard Costs*	
Base Home	$530,013	Base House Cost	$254,883
Lot Premium	$12,872	Building Permits	$3,500
Upgrades (not yet allocated)	$0	Fees	$29,378
Total Home Price	$542,886	Total Hard Costs	$287,761
Net Proceeds - $255,125			
Soft Costs		*Soft Costs*	
Site Indirects (3.0%)	$16,287	Overhead/Insurance(6%)	$32,873
Sales and Marketing (6%)	$32,873	Cost of Funds (4.5%)	$24,430
Warranty (0.75%)	$4,072	Margin (8.0%)	$43,431
Total Soft Costs – $153,966			
Residual Value – $101,159 *Finished Lot Value by Residual Analysis – $101,000 RD*			

*Base House Cost includes $43,282 in Site direct costs and $211,601 in building costs

According to the developer's pro-forma, the "superpad" value for this project equates to $101,000 per lot according to the developers calculations. It was based on an 8.00% margin based on the total sales price, inclusive of lot premiums. The land value by this method equates to approximately 18.6% of the total home price projected for this projected for this project. This value was utilized as the minimum asking price for this village. However, as noted in the *History of the Project Section* of this report, Centex Homes is currently under contract for $18,000,000 or $127,660 per lot based on a "Superpad" condition.

Village 39 – Courtyard Units

Village 39			
Item	**Description**	**Item**	**Description**
Average Unit Size -1,800 sf			
Price per sf	$341.23	Building Costs / sf	$76.00
Revenues		***Hard Costs***	
Base Home	$614,213	Base House Cost	$168,487
Lot Premium	$24,560	Building Permits	$2,950
Upgrades (not yet allocated)	$0	Fees	$30,557
Total Home Price	$638,774	Total Hard Costs	$201,994
Net Proceeds - $436,780			
Soft Costs		***Soft Costs***	
Site Indirects (3.0%)	$19,163	Overhead (3%)	$19,163
Sales and Marketing (6%)	$38,326	Cost of Funds (4.5%)	$28,745
Warranty (0.75%)	$4,791	Margin (8.0%)	$51,102
Total Soft Costs – $161,290			
Residual Value – $275,490			
Finished Lot Value by Residual Analysis – $275,000 RD			

*Base House Cost includes $31,687 in Site direct costs and $136,800 in building costs

According to the developer's pro-forma, the "superpad" value for this project equates to $275,000 per lot according to the developers calculations. It was based on an 8.00% margin based on the total sales price, inclusive of lot premiums. The land value by this method equates to approximately 44.7% of the total home price projected for this projected for this project. This value was utilized as the minimum asking price for this village. However, as noted in the *History of the Project Section* of this report, Lennar Communities is currently under contract for $28,000,000 or $307,692 per lot based on a "Superpad" condition.

PART 3 – MARKET ANALYSIS AND HIGHEST AND BEST USE

Residential Market Overview

A market analysis has been undertaken in conjunction with this appraisal. Its function is to estimate market demand relative to the project. This analysis deals with the new housing market in order to identify the market segment that is optimal for the subject project. Given the multiple components that comprise the subject property, all sectors of this market will be examined.

Economic Variables

The first component in analyzing the present market conditions for the type of product proposed for the subject property reflects projections in variables in population, jobs, and households in terms of the overall Bay Area environment.

Population and Household Characteristics

The Bay Area continues to attract people from around the world to its warm climate, beautiful setting, recreational activities, top universities, and career opportunities. In fact, about one-half of the growth in the region's population comes from migration. By 2030, the population of the Bay Area will exceed 8.7 million people – an increase of nearly 2.0 million from its current level. Santa Clara County's population will top two million. Alameda will grow to 1.8 million and Contra Costa County will reach 1.2 million. In percentage terms, Santa Clara and Solano Counties will see the highest percentage growth during the forecast period, each adding more than 35 percent to its respective population. The following chart summarizes the total population growth over the next 30-year period.

COUNTY POPULATION GROWTH	
County	2000-2030 % Change
Alameda	30.8%
Contra Costa	32.5%
Marin	14.5%
Napa	23.4%
San Francisco	20.4%
San Mateo	19.6%
Santa Clara	35.2%
Solano	46.3%
Sonoma	23.3%

Source: ABAG Projections 2003

While population growth in the region is expected to be substantial, it will still occur at a rate that is far slower than the growth in Southern California or many other portions of the state. The Bay Area has some of the highest housing costs in the nation. People's ability to afford housing has long been cited as a factor that limits the region's ability to grow. The high incomes of many people in this region are clearly intertwined with the high cost of housing. Nevertheless, when the comparison is made between household incomes and housing costs, the Bay Area remains one of the least affordable areas in the nation.

Several cities are the focus of the region's population change. San Jose, the most populous city in the region will grow by 404,600 people in the next 30 years. San Jose accounts for the majority of Santa Clara County's population throughout the forecast period. In the North Bay, Santa Rosa will add 51,450 people and Fairfield will add 48,200 people. Oakland will add 122,000 people to its population during the forecast period. While these cities are adding significantly to their populations, they have different characters. Oakland is the most traditionally urban city of the group. Fairfield is a suburban city that has grown significantly over the past decade. Santa Rose has an older urban downtown core. San Jose, although a major city, has retained a suburban character in many places and still contains significant tracts of undeveloped land.

While the growth in population and the number of households are closely related, some differences occur. In the Bay Area, the average household size – the number of people living in a household – will increase from about 2.69 to 2.71 during the forecast period. While this change is small, it can make a significant change to the number of housing units constructed in the region. In 1990, according to the Census, the average household size in the Bay Area was only 2.61. The areas that comprise the "Tri-Valley" area including portions of Alameda and Contra Costa County are projected to outpace totals provided for each county as a whole. Population projections for the next 20 years for these communities are as follows.

Area	2000	2020	Absolute Change 2000-2020	20-year growth rate Annualized %
CONTRA COSTA COUNTY	**948,816**	**1,185,200**	**236,384**	**1.25%**
Danville	42,958	45,100	2,142	0.25%
San Ramon	44,834	78,800	33,966	3.79%
ALAMEDA COUNTY	**1,443,741**	**1,718,500**	**274,759**	**0.95%**
Dublin	30,007	59,100	29,093	4.85%
Pleasanton	65,058	85,200	20,142	1.55%
Livermore	73,841	99,500	25,659	1.74%

Source: ABAG Projections 2003

San Ramon and Dublin appear to have the highest growth projections in the forecast period, mainly because of job expansion and the availability of land to accommodate residential development. Over the same time frame, the total number of households is projected to follow similar patterns. Household growth in the "Tri-Valley" communities is displayed below.

Area	2000	2020	Absolute Change 2000-2020	20-year growth rate Annualized %
CONTRA COSTA COUNTY	**344,129**	**430,050**	**85,921**	**1.25%**
Danville	15,266	16,120	854	0.28%
San Ramon	16,981	30,030	13,049	3.84%
ALAMEDA COUNTY	**523,366**	**614,110**	**90,744**	**0.87%**
Dublin	9,335	19,680	10,345	5.54%
Pleasanton	23,831	30,710	6,879	1.44%
Livermore	26,315	34,880	9,445	1.63%

Source: ABAG Projections 2003

Similar to population projections, Dublin and San Ramon are projected to increase in terms of household growth within the "Tri-Valley". Based on the projections above, San Ramon is projected to add 13,049 households over the next 20 years, followed by Dublin with 10,345 households. This equates to annual demand of approximately 500 to 650 housing units, per year based on population growth alone.

Job Growth

The Bay Area job picture has changed substantially since the last forecast period. Many analysts believe that the nation entered a recession in the second half of 2001. The dot-com bubble burst during 2000 and 2001. Predictions by some that we have entered the age of the "New Economy", where electronic commerce and a culture of innovation would allow higher levels of growth and free us from the periodic downturns of the business cycle, have proven inaccurate. The events of September 11, 2001 have also cast a shadow over the nation's economic growth, at least in the short run.

However, the long-term prospects for the Bay Area's economy continue to be optimistic. While growth in the number of jobs between 2000 and 2005 is expected to be limited in most of the region, the long-term forecast shows moderate change. The engines of the region's economic growth continue to work. The region already has an unusually high concentration of computer electronics, telecommunications, and computer software jobs. Added to that, the Bay Area is one of the leading regions for biomedical research and development. Some of the nations top universities and research institutes nurture and support these industries. A varied economy that includes finance, tourism, and government completes the picture. The following chart summarizes projected job growth in the Bay Area Counties over the next 30 years.

COUNTY JOB GROWTH	
County	**2000-2030 % Change**
Alameda	44.7%
Contra Costa	48.5%
Marin	33.4%
Napa	33.1%
San Francisco	28.6%
San Mateo	33.0%
Santa Clara	35.6%
Solano	66.1%
Sonoma	56.4%

Source: ABAG Projections 2003

While the Bay Area remains one of the costliest places to live in the United States, it also retains the characteristics that cause many to choose to bear those costs. A wide variety of cultural institutions and natural settings attract a talented pool of people that in turn attracts jobs. As a result, the Bay Area will add almost 1,180,000 jobs during the next twenty-five years.

Santa Clara will see the largest increase in jobs over the forecast period as the county will add over 389,000 jobs. Alameda County will see the second largest increase, adding over 335,000 jobs during the next 30 years. The areas that comprise the "Tri-Valley" area including portions of Alameda and Contra Costa County are projected to outpace totals provided for each county as a whole. Job growth projections for the next 20 years for these communities are as follows.

Area	2000	2020	Absolute Change 2000-2020	20-year Growth Rate Annualized %
CONTRA COSTA COUNTY	**361,110**	**476,520**	**115,410**	**1.60%**
Danville	10,150	12,260	2,110	1.04%
San Ramon	38,140	58,910	20,770	2.72%
ALAMEDA COUNTY	**751,680**	**975,430**	**223,750**	**1.49%**
Dublin	21,870	35,380	13,510	3.09%
Pleasanton	54,110	72,620	18,510	1.71%
Livermore	40,360	62,230	21,870	2.71%

Source: ABAG Projections 2003

In terms of job growth for the areas, the City of Livermore represents the highest total with respect to the number of jobs, whereas the City of Dublin is the highest with respect to percentage increases. However, this information should be analyzed as a whole in terms of residential projects. Based on this data alone, there are 76,770 jobs forecast for the "Tri-Valley" area in the next 20 years. It is generally sluggish over the short-run, with higher levels of expansions from 2010 to 2020. Based on the economic variables established by ABAG Projections 2003, the following characteristics were noted that has an impact on the housing market for this area.

SUMMARY OF ANNUALIZED GROWTH PROJECTIONS (2000-2020)			
AREA	**Population Growth**	**Household Growth**	**Job Growth**
Contra Costa County	1.25%	1.25%	1.60%
Alameda County	0.95%	0.87%	1.49%
"Tri-Valley' Communities			
Danville	0.25%	0.28%	1.04%
San Ramon	3.79%	3.84%	2.72%
Dublin	4.85%	5.54%	3.09%
Pleasanton	1.55%	1.44%	1.71%
Livermore	1.74%	1.63%	2.71%

Source: ABAG, Projections 2003

Based on this information, the "Tri-Valley" communities outpace the respective counties as a whole in terms of growth in all of the sectors noted above. The majority of population and household growth is projected to be in San Ramon and Dublin. This is logical as these two areas have large areas to be developed with residential units over the next few years including the subject property, as well as in the East Dublin Specific Plan. Job growth is projected all over this area including Dublin, San Ramon, Pleasanton and Livermore. The area along east Dublin to the north of Interstate 580 will have the most job growth for this community, whereas concentrated job growth in San Ramon and Pleasanton will be in the existing Bishop Ranch and Hacienda Business Parks. Nonetheless, the information based solely on these characteristics suggests that the area is poised for future growth into the next 20 years.

Supply Constraints

The Bay Area counties have generally been developed over the past fifty years. Growth in the various counties has been dictated by topographical constraints including mountains and valleys, the Pacific Ocean and various bays' and inlets. According to ABAG Projections 2002, there are approximately 252,800 acres available for development in the nine county area, of which 76% or 192,700 is for residential development. Essentially, the total available land equates to 5.7% of the total area, or suggests that 94% of the total area in these communities have been developed. This shortage of land creates a deficit for housing units in the Bay Area. The total number of projected households exceeds the total number of units according to ABAG, Projections 2002 by 45,580 units. The largest deficit is in Santa Clara County with a 26,480 unit shortage. The following chart summarizes the projected households versus the number of potential units in the Bay Area, based on data from 2000-2025.

County	Total Unconstrained Unit Potential	Projected New Households	Unit Potential Less Households
Alameda	82,870	88,310	(5,440)
Contra Costa	91,210	99,380	(8,170)
Marin	15,280	13,880	1,400
Napa	11,410	16,050	(4,640)
San Francisco	54,150	19,290	34,860
San Mateo	24,550	34,820	(10,270)
Santa Clara	102,830	129,310	(26,480)
Solano	45,340	60,930	(15,590)
Sonoma	38,750	50,010	(11,260)
Total	**466,390**	**511,970**	**(45,580)**

Source: ABAG, Projections 2002.

In addition, this information suggests that there is more supply in Contra Costa County that supply. This is realistic for the overall county, but the majority of vacant land is in the East County area. The following tables indicate the housing unit potential for Alameda and Contra Costa County.

Subarea	**Local Policy Potential Units**	**Projected Households**	**Units Less Households**
CONTRA COSTA COUNTY			
Subarea	**Local Policy Potential Units**	**Projected Households**	**Units Less Households**
West County (El Cerrito, Hecules, Pinole, Richmond, San Pablo, Rodeo-Crockett)	8,740	11,670	-2,930
Central County (Clayton, Concord, Danville, Lafayette, Martinez, Moraga, Orinda, Pleasant Hill, San Ramon, Walnut Creek, Alamo-Blackhawk	30,860	39,810	-8,950
East County (Antioch, Brentwood, Oakley, Pittsburg, Rural East Contra Costa)	51,610	47,900	3,710
TOTALS	**91,210**	**99,380**	**-8,170**
ALAMEDA COUNTY			
North County (Alameda, Albany, Berkeley, Emeryville, Oakland, Piedmont	25,780	26,000	-220
Central County (San Leandro, San Lorenzo, Castro Valley, Hayward, Ashland, Cherryland-Fairview	12,140	12,480	-340
South County (Fremont, Newark, Union City)	8,790	16,400	-7,610
East County (Dublin, Pleasanton, Livermore, Remainder	36,150	33,430	2,720
TOTALS – ALAMEDA COUNTY	**82,860**	**88,310**	**-5,450**

Source; ABAG Projections 2002, Note independent rounding impacts totals.

Based upon the information presented in the previous table, local-zoning ordinances allows for the potential of 178,070 housing units in Alameda and Contra Costa County. However, ABAG projects the need for 187,690 housing units, resulting in a 9,620-unit shortfall for the period of 2000 though 2025. The "Tri-Valley" area demonstrates includes generally a similar total. The Central Contra Costa County portion demonstrates a deficit of

8,950 housing units, whereas the East County portion of Alameda County has a surplus of 2,720 units. This indicates there are 6,230 more households projected for these areas relative to the total number of units. This is a positive sign for the development of the subject project as the figures for Contra Costa County include the development potential for the Dougherty Valley. In addition, based on the potential growth identified for this area in terms of population, households, and jobs, demand could potentially flourish due to supply constraints.

Another variable that has a positive impact on the subject property is that there is a shortage of approximately 26,480 housing units in Santa Clara County. While this area is projected for continued job growth, the shortage of housing units will force workers to seek other alternative areas, such as the south portion of Santa Clara county (Gilroy, Morgan Hill, Hollister) or areas within Alameda County (Fremont, Union City) and the "Tri-Valley" area. The latter is a realistic alternative as the Fremont/Union City area is also projected for a shortage of housing units.

Given the size and magnitude for the subject, other areas in the "Tri-Valley" area, as well as for the entire region were researched for potential competition for the subject property. This represents projects that are currently offering units, or development projects in other city or county jurisdictions. These projects are summarized as follows.

Shapell Industries (Gale Ranch)

This project obviously is the most comparable in terms of the overall location as it represents the development of the balance of Dougherty Valley by Shapell Industries. This project area includes a total of 2,708 acres including 1,113 acres for residential development. Offsite improvements have been oversized to portions of this project area including the completion of the golf course and clubhouse located along the southern side of Bollinger Canyon Road. Residential components for this project are as follows.

Total Number of Single Family Medium/High Density (SM/SH Land Use)	2,272 Units
Total Number of Multiple Family Low Density Uses (ML Land Uses)	3,348 Units
Total Number of Potential Residential Units	5,620 Units
Total Number of units sold (As of date of the appraisal)	1,216 Units
Remaining Units	4,404 Units

Shapell Industries has developed Phase 1 portion of this community comprised of 1,216 units. Recently development along Phase 2 of this project has commenced, which includes lands adjacent to the subject property. Sales initially started in this community in late 1998 with the introduction of one product line, followed by two others in 1999. These units are the logical competition for the subject project throughout the development of the entire community.

There are other projects identified outside the "Tri-Valley" area, however not of the size and magnitude of this project. This includes the Alamo Creek project by Shapell Industries in the immediate area, Rivermark in Santa Clara, the Bernal Property in Pleasanton, and Mountain House in San Joaquin County. These are competitors based on the larger master planned community, however based on differences in the overall location are not viewed as a competitive element to the subject.

What is obviously apparent is that larger project are becoming scarce. The subject appears to be one of the last larger land tracts in the area for development. There will be demand for residential units in this project based on two elements. First, there is a demand for 73,240 households in the "Tri-Valley" area over the next 20-years. This equates to approximately 3,662 annual units. A total of 67,010 projected units are noted by ABAG, however this is based on unconstrained units and does not considered growth controls or the likelihood for approval. Second, while difficult to quantify, there will be constant demand for the subject project to other builders. With the lack of development alternatives in the area, many developers and home builders are seeking other sites throughout the region. Many homebuilders cite the central valley as the next boom area, based on the inexpensive land alternatives, as well growth projected for these areas. But, home prices are lower, as well as profit margins and internal rates of return for development in this area. The inclusion of the total number of lots in the subject property is considered leverage in this market climate. It is suitable for development of all of the units with production homes, but the supply of lots within the project is attractive to homebuilders and development with operations in the Bay Area.

Demand Considerations

The single family housing market in Contra Costa County is generally area driven with distinct areas in the different portions of the county. This includes new homes in the "Tri-Valley" area in the east Bay Area in the communities of Livermore, Pleasanton, and Dublin in Alameda County, as well as San Ramon, Danville, and Alamo in Contra Costa County. The following information reflects data extracted from the Meyers Group Competitive Housing Report, a real estate information service. This will identify the new home market segment for the subject property. There are three submarkets identified by the Meyer's Group for Contra Costa County including the west, central (subject area) and east county.

Sales Trends

New home sales in Contra Costa County totaled 4,504 units over the past four quarters according to the Meyer's Group Market Monitor November 2003. Alameda County included 2,000 total sales over the same period. Low interest rates continue to drive this market segment despite the waning economic conditions. The table below illustrates the applicable sales in these areas over the past five years. It is based on similar information compiled from January to September for comparative purposes and not illustrated based on annual totals.

Single-Family Detached

Area	1999 Net Sales	2000 Net Sales	2001 Net Sales	2002 Net Sales	2003 Net Sales
Alameda County	2,148	1,576	578	1,309	1,130
Contra Costa County	2,358	2,877	2,264	3,753	3,538
–Central	731	575	315	654	778
–East	1,414	2,004	1,706	2,864	2,178
–West	213	298	243	235	582

Single-Family Attached

Area	1999 Net Sales	2000 Net Sales	2001 Net Sales	2002 Net Sales	2003 Net Sales
Alameda County	319	333	264	352	502
Contra Costa County	52	166	58	168	175
--Central	51	166	58	158	93
–East	1	0	0	10	0
--West	0	0	0	0	82

Overall

Area	1999 Net Sales	2000 Net Sales	2001 Net Sales	2002 Net Sales	2003 Net Sales
Alameda County	2,467	1,909	842	1,661	1,632
Contra Costa County	2,410	3,043	2,322	3,921	3,713
–Central	782	741	373	812	871
–East	1,415	2,004	1,706	2,874	2,178
–West	213	298	243	235	664

According to this information, 2003 has been one of the strongest years in terms of home sales. This is in contract to 2001 when home sales slowed dramatically based on market conditions. The total of 871 net sales (January through

September) in Central Contra Costa County is the highest level over the past five years as there is renewed optimism in the housing market in this area. It represents market share of 23% of all home sales in Contra Costa County. In addition, the most recent period demonstrated 264 sales in the Central Contra Costa County market area. The following table illustrates the overall distribution of sales based on the overall price range.

Price Range	# of Sales	% of Total Sales
$400,000 - $499,999	27	10.2%
$500,000 - $599,999	59	22.3%
$600,000 - $699,999	80	30.3%
$700,000 - $799,999	41	15.5%
$800,000 - $999,999	42	15.9%
>$1,000,000	15	5.8%
Total	**264**	**100%**

Over 60% of the overall sales in the Central Contra Costa County area are within the $600,000 to $999,000 price range. This is a positive element for the subject project as this reflects the target price range for this project.

Pricing Trends

The median price for detached housing has vastly increased in both Alameda County and Contra Costa County over the past two years. Even despite the drop in market conditions in 2001, the median base price held constant. Sales in 2002 generated momentum and gained back any drops noted over the past year. This led to 2003 which was a very strong housing market based on the total sales, which generally absorbed increases in pricing. This attached housing market segment is more volatile as the average pricing varies from period to period. This is generally attributed to the lack of projects and the introduction of completion of any given project has a significant impact on the data. Essentially, there is a lack of data to accurately determine fluctuations in pricing for this market segment. As such, the median pricing displayed below is based on the sales of detached homes. The following table identifies the median base pricing for new homes in Alameda and Contra Costa Counties.

Single-Family Detached

Area	1998 Median Base Price	1999 Median Base Price	2000 Median Base Price	2001 Median Base Price	2002 Median Base Price	2003 Median Base Price
Alameda County	$367,000	$422,000	$480,450	$608,700	$658,300	$763,203
Contra Costa County	$248,400	$296,900	$301,590	$346,490	$359,490	$500,406
–Central	$479,990	$518,975	$556,450	$630,825	$638,550	$725,076
–East	$212,900	$251,800	$274,162	$320,000	$350,450	$420,563
–West	$320,990	$332,990	$378,130	$476,566	$445,000	$559,414

The median pricing in both Alameda and Contra Costa County has increased over the past two years. Pricing has increased by 25.4% in Alameda County and 44.4% in Contra Costa County. This information is based on the entire county areas and is not specific to the subject area. Specifically, Contra Costa County is influenced by the inclusion of sales in the east county area, with significantly lower price-points and a market orientation. It is generally the "entry-level" housing area for the entire county. The following table summarizes the current median pricing of detached homes in the "Tri-Valley" area.

Area	Median Base Price	Average Size (sf)	Price per sf
Alameda County	$763,203	2,882	$244
Dublin	$800,082	3,290	$250
Pleasanton	$838,018	3,075	$289
Livermore	$782,151	3,093	$254
Contra Costa County	$500,406	2,734	$183
San Ramon	$704,670	2,588	$279
Danville	$977,806	3,452	$288

Average home prices in the "Tri-Valley" generally range from $700,000 to $975,000. This is well above the overall totals identified for Contra Costa and Alameda County as a whole.

Current Projects

The subject project is located in the "Tri-Valley" area comprised of portions of Alameda and Contra Costa Counties. New home developments in these areas, especially in Dublin and San Ramon were surveyed for their current pricing characteristics, absorption, and general acceptance to the market. This was performed to derive a better understanding of buyer motivation, as well as determine levels of acceptance for the subject property. This includes an analysis of the attached units offering "for-sale" units, as well as the detached new home developments in this market segment. The following pages are summaries of these projects and are based on each city individually. Location maps identifying each project are contained immediately after the summary pages.

Summary of Competing Projects
Windemere Ranch Master Planned Community

#	Project Name/ Developer/ Location	Total # of Units	Min. Lot Size (sf)	Current Asking Price	Plan SF	Stories	Bed/Bath/ Garage	Price per SF	Dated Opened # of Months	Total Sales	Absorption per Month
1.	Summit Bridge	22	10,000	$1,332,915	3,780	1	4/3.5/3	$352.62	Apr-02	20	0.83
	Shapell Industries			$1,646,600	5,720	2	5/4.5/3	$287.87	24		
	Gale Ranch Community			$1,905,300	6,775	2	6/5.5/3	$281.23			
	San Ramon, CA										
Averages				*$1,628,272*	*5,425*			*$307.24*			
2.	Gallery	190	9,500	$936,900	2,801	1	4/2.5/3	$334.49	Sep-03	59	8.4
	Shapell Industries			$1,003,900	3,576	2	5/4/3	$280.73	7		
	Gale Ranch Community			$1,027,900	3,816	2	5/3/3	$269.37			
	San Ramon, CA			$1,046,900	4,056	2	5/3.5/3	$258.11			
Averages				*$1,003,900*	*3,562*			*$285.67*			
3.	Villa Paseo	85	3,300	$529,900	1,465	2	3/2.5/2	$361.71	Jul-03	78	8.7
	Shapell Industries			$549,900	1,570	2	3/2.5/2	$350.25	9		
	Gale Ranch Community			$579,900	1,682	2	3/2.5/2	$344.77			
	San Ramon, CA			$614,900	1,802	2	4/3/2	$341.23			
Averages				*$568,650*	*1,630*			*$349.49*			
4.	Coronado	147	4,200	$689,900	2,214	2	3/2.5/2	$311.61	May-03	77	7.0
	Shapell Industries			$728,182	2,479	2	4/3/2	$293.74	11		
	Gale Ranch Community			$744,900	2,763	2	5/3/2	$269.60			
	San Ramon, CA										
Averages				*$720,994*	*2,485*			*$291.65*			
5.	Monarch	191	6,500	$717,900	2,047	1	3/2/2	$350.71	Mar-03	109	8.4
	Shapell Industries			$745,900	2,408	2	3/2.5/2	$309.76	13		
	Gale Ranch Community			$794,900	2,631	2	4/3/3	$302.13			
	San Ramon, CA			$845,900	3,013	2	4/3.5/3	$280.75			
Averages				*$776,150*	*2,525*			*$310.84*			
6.	Amicelli	64	4,200	$656,000	2,057	2	3/2.5/2	$318.91	Oct-02	64	4.9
	Centex Homes			$657,490	2,394	2	3/2.5/2	$274.64	13		
	Windemere Ranch			$789,000	2,493	2	4/3/2	$316.49			
	San Ramon, CA								***Sold Out 11/03***		
Averages				*$700,830*	*2,315*			*$303.35*			

Summary of Competing Projects
Windemere Ranch Master Planned Community

#	Project Name/ Developer/ Location	Total # of Units	Min. Lot Size (sf)	Current Asking Price	Plan SF	Stories	Bed/Bath/ Garage	Price per SF	Dated Opened # of Months	Total Sales	Absorption per Month
7.	Delamore	88	6,600	$949,350	3,776	2	4/3.5/3	$251.42	Apr-03	60	5.0
	Centex Homes			$982,350	4,127	2	4/3.5/3	$238.03	12		
	Windemere Ranch			$1,029,350	4,616	2	5/4.5/3	$223.00			
	San Ramon, CA										
Averages				*$987,017*	*4,173*			*$237.48*			
8.	Wyngate	107	3,000	$609,880	1,650	2	3/2.5/2	$369.62	Feb-03	107	8.9
	Greystone Homes			$650,380	1,825	2	4/2.5/2	$356.37	12		
	Windemere Ranch			$692,380	2,042	2	5/3/2	$339.07			
	San Ramon, CA								*Sold Out 2/03*		
Averages				*$650,880*	*1,839*			*$355.02*			
9.	Belrose	153	5,500	$945,400	3,169	2	5/3/3	$298.33	Feb-03	136	9.7
	Brookfield Home			$920,400	3,292	2	5/3/3	$279.59	14		
	Windemere Ranch			$962,400	3,476	2	5/4/3	$276.87			
	San Ramon, CA			$946,400	3,700	2	5/4/3	$255.78			
Averages				*$943,650*	*3,409*			*$277.64*			
10.	Taramea	138	5,500	$770,980	2,651	2	4/2.5/3	$290.83	May-02	138	6.5
	Centex Homes			$790,990	2,850	2	3/2.5/3	$277.54	21		
	Windemere Ranch			$847,980	3,135	2	4/2.5/3	$270.49			
	San Ramon, CA			$837,980	3,149	2	4/3.5/3	$266.11	*Sold Out 2/03*		
Averages				*$825,650*	*3,045*			*$271.38*			
11.	Shellbourne	142	Condo	$452,990	1,204	2	2/2/2	$376.24	Mar-03	118	9.0
	Western Pacific			$482,000	1,541	2	3/2.5/2	$312.78	13		
	Windemere Ranch			$513,000	1,802	2	3/2.5/2	$284.68			
	San Ramon, CA										
Averages				*$482,663*	*1,516*			*$324.57*			
12.	Ambridge	160	T-house	$620,900	2,033	2	3/2.5/2	$305.41	Jun-03	105	10.5
	Brookfield Home			$630,900	2,170	2	3/2.5/2	$290.74	10		
	Windemere Ranch			$654,900	2,369	2	4/3/2	$276.45			
	San Ramon, CA										
Averages				*$635,567*	*2,191*			*$290.86*			

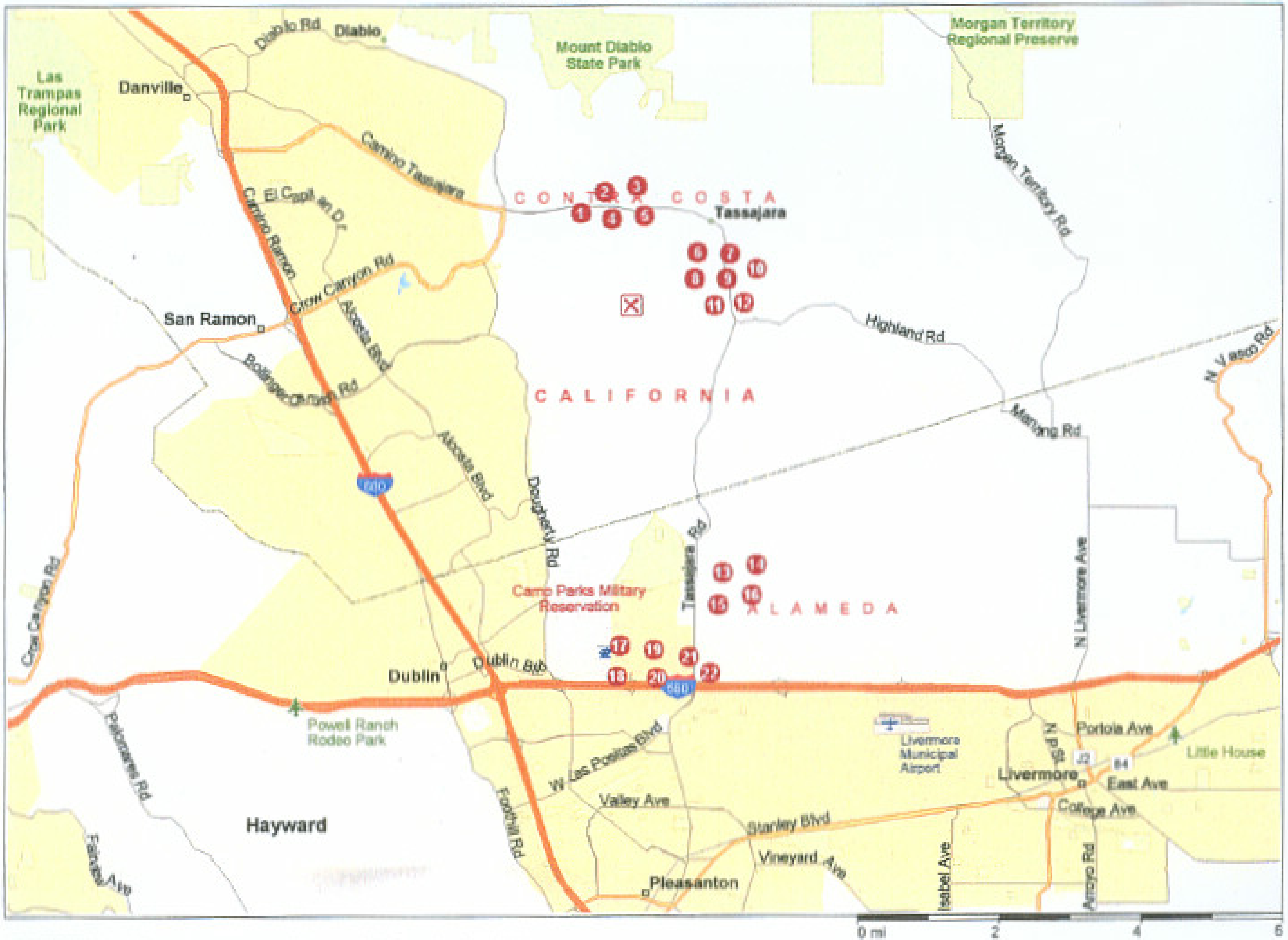
Summary of Competing Projects
Windemere Ranch Master Planned Community

#	Project Name/ Developer/ Location	Total # of Units	Min. Lot Size (sf)	Current Asking Price	Plan SF	Stories	Bed/Bath/ Garage	Price per SF	Dated Opened # of Months	Total Sales	Absorption per Month
13.	Turnberry	62	7,000	$999,975	4,424	2	4/4.5/3	$226.03	Sep-03	43	6.1
	Toll Brothers			$1,006,975	4,514	2	4/3.5/3	$223.08	7		
	Dublin Ranch Country Club			$1,070,975	4,957	2	5/5.5/3	$216.05			
	Town of Dublin			$1,073,975	5,017	2	6/5.5/3	$214.07			
Averages				*$1,037,975*	*4,728*			*$219.81*			
14.	Inverness	54	9,900	$1,096,975	4,247	2	4/3.5/3	$258.29	Mar-03	49	3.8
	Toll Brothers			$1,109,975	4,682	2	5/4.5/3	$237.07	13		
	Dublin Ranch Country Club			$1,122,975	4,651	2	4/4.5/2	$241.45			
	Town of Dublin			$1,143,975	4,885	2	5/4.5/3	$234.18			
Averages				*$1,118,475*	*4,616*			*$242.75*			
15.	Pinnacle	110	10,890	$1,393,975	4,650	2	5/4.5/3	$299.78	Jun-02	105	5.0
	Toll Brothers			$1,409,975	4,921	2	5/5.5/4	$286.52	21		
	Dublin Ranch Country Club			$1,426,975	5,035	2	5/5.5/3	$283.41			
	Town of Dublin			$1,472,975	5,532	2	6/6.5/3	$266.26			
Averages				*$1,425,975*	*5,035*			*$283.99*			
16.	St. Andrews	97	5,200	$939,975	3,500	2	4/3.5/3	$268.56	Sep-01	97	3.1
	Toll Brothers			$964,975	3,590	2	5/4.5/3	$268.80	31		
	Dublin Ranch Country Club			$969,975	3,600	2	4/4.5/3	$269.44			
	Town of Dublin			$982,975	3,980	2	4/2.5/3	$246.98			
Averages				*$972,642*	*3,723*			*$261.74*			
17.	The Villas	289	Condo	$429,975	1,240	2	1/1.5/1	$346.75	Feb-03	151	10.8
	Toll Brothers			$469,975	1,400	1	2/2/1	$335.70	14		
	Dublin Ranch			$469,975	1,300	2	2/2.5/2	$361.52			
	Town of Dublin			$514,975	1,420	2	2/2.5/1	$362.66			
				$514,975	1,400	1	2/2/2	$367.84			
				$556,975	1,540	1	3/2/2	$361.67			
Averages				*$492,808*	*1,383*			*$356.02*			

Summary of Competing Projects
Windemere Ranch Master Planned Community

#	Project Name/ Developer/ Location	Total # of Units	Min. Lot Size (sf)	Current Asking Price	Plan SF	Stories	Bed/Bath/ Garage	Price per SF	Dated Opened # of Months	Total Sales	Absorption per Month
18.	Courtyards	281	Condo	$469,975	1,290	1	2/2/2	$364.32	Jan-03	130	8.7
	Toll Brothers			$499,975	1,515	2	2/2/2	$330.02	15		
	Dublin Ranch			$524,975	1,780	2	3/2.5/2	$294.93			
	Town of Dublin			$580,975	2,175	2	3/2.5/2	$267.11			
				$549,975	1,915	2	3/2.5/2	$287.19			
Averages				*$525,175*	*1,735*			*$308.72*			
19.	Terraces	626	Condo	$419,975	1,055	1	2/2/2	$398.08	Mar-03	215	16.5
	Toll Brothers			$434,975	1,120	1	2/2/2	$388.37	13		
	Dublin Ranch			$449,975	1,300	1	3/2/2	$346.13			
	Town of Dublin			$449,975	1,300	2	2/2.5/2	$346.13			
				$449,975	1,230	2	2/2.5/2	$365.83			
				$464,975	1,300	2	2/2.5/2	$357.67			
Averages				*$444,975*	*1,218*			*$367.04*			
20.	Cottages	200	Condo	$479,975	1,320	1	2/2/1	$363.62	Jan-03	126	8.4
	Toll Brothers			$529,975	1,630	2	2/1.5/2	$325.14	15		
	Dublin Ranch			$579,975	1,900	2	2/1.5/2	$305.25			
	Town of Dublin			$594,975	2,110	2	3/2.5/2	$281.98			
				$609,975	2,110	2	3/2.5/2	$289.09			
				$624,975	2,150	2	3/2/2	$290.69			
				$634,975	2,250	2	3/2.5/2	$282.21			
Averages				*$579,261*	*1,924*			*$305.42*			
21.	Riva	99	5,800	$669,950	1,896	2	3/2.5/2	$353.35	Feb-02	99	4.1
	Greebriar Homes			$679,950	1,968	2	4/2.5/2	$345.50	24		
	Town of Dublin			$689,950	2,179	2	4/3.5/2	$316.64			
				$724,950	2,335	2	4/2.5/2	$310.47	*Sold Out 2/03*		
Averages				*$698,283*	*2,161*			*$324.20*			
22.	Rainsong	73	6,300	$739,950	2,395	2	4/2.5/2	$308.96	Feb-02	71	2.7
	Greebriar Homes			$746,404	2,527	2	4/2.5/2	$295.37	26		
	Town of Dublin			$779,950	3,078	2	5/3/2	$253.40			
				$789,950	3,122	2	5/4/2	$253.03			
Averages				*$764,064*	*2,781*			*$277.69*			

COMPETING PROJECTS MAP



Demand Indicators - Current Developments

The projects surveyed for this analysis are supportive of higher pricing than levels demonstrated in the most recent Meyers Group survey. An element that is becoming apparent in this market environment is that projects are being absorbed quickly. In 2003, home sales were strong as evidenced by the absorption of numerous projects in this market environment. Homebuilders are approaching this element in two fashions. They either will sell-out the entire project and attain higher margins through the velocity of sales, minimizing holding costs, or will release homes on a phase-by-phase basis, increasing prices from $10,000 to $30,000 per phase. The latter has resulted in many projects selling homes by lottery, with all potential buyers being pre-qualified. In essence, the market conditions are strong at this time.

Projects 1 through 5 are the most recent absorption indicators within the adjacent Gale Ranch master planned community. The overall characteristics for these projects are identified on the following table.

Project	Typical Lot Size (SF)	Average Base Price	Average Unit Size (SF)	Average Absorption	Average Price / SF
1 / Summit Bridge	10,000 sf	$1,628,272	5,425	0.83	$307.24
2 / Gallery	9,500 sf	$1,003,900	3,562	8.4	$285.67
3 / Villa Paseo	3,300 sf	$568,879	1,630	8.7	$349.49
4 / Coronado	4,200 sf	$720,994	2,485	7.0	$291.65
5 / Monarch	6,500 sf	$776,150	2,525	8.4	$310.84

Absorption rates in this community generally demonstrate a range from 0.83 to 8.7 sales per month. The low indicator in this project is an upper-end project with average pricing in excess of 1.6 million. It was reported by the agent that the developer is in no hurry to sell these homes based on the preponderance of other homes in this community. They are willing to sacrifice absorption in lieu of price and with only 22 lots in this project. This seems reasonable in the current market environment. In addition, this community has had several projects sold-out in the past 12 months. A summary of these projects are as follows.

Project Date Open	Typical Lot Size	Base Price Range	Unit Size Range	$/SF Range	# Units Months Open	Abs.
Cedar Bridge 2-2000	T-House	$430,900 to $504,900 $471,400 (Average)	1,354 to 1,697 1,490 sf	$297.53 to $327.91 $317.26	144 32	4.5
Glen Bridge 7-1998	5,000 sf	$659,900 to $907,175 $809,467 (Average)	1,894 to 2,990 2,565 sf	$303.40 to $348.42 $317.89	229 52	4.4
Crest Bridge 7-1998	5,000 sf	$583,900 to $844,900 $708,900 (Average)	1,679 to 2,802 2,214 sf	$301.53 to $347.77 $322.84	295 48	6.1
Fairway Bridge 7-1998	11,000 sf	$909,141 to $1,257,785 $1,099,969 (Average)	2,553 to 3,496 2,956 sf	$356.11 to $384.31 $372.10	205 45	4.5

These projects support slightly lower absorption characteristics however several of these projects were opened in the late 1990s, when market conditions were inferior to the present environment. It however justifies multiple projects in the same area, without a significant reduction in the total number of sales per project. The five current projects offering homes for sale are proximate to the subject property and offer strong support for the overall absorption characteristics for the subject. Absorption indicators for these developments are based on the current market characteristics and reflect strong indicators.

Projects 6 through 12 are all projects currently offering homes for sale within the Windemere community. Based on the similarity in location as the subject property, these projects offer most credibility in deriving the overall absorption for this project. The overall characteristics for these projects are identified on the following table.

Project	Typical Lot Size (SF)	Average Base Price	Average Unit Size (SF)	Average Absorption	Average Price / SF
6 / Amicelli	4,200 sf	$700,830	2,315	4.9	$303.35
7 / Delamore	6,600 sf	$987,017	4,173	5.0	$237.48
8 / Wyngate	3,000 sf	$650,880	1,839	8.9	$355.02
9 / Belrose	5,500 sf	$943,650	3,409	9.7	$277.64
10 / Taramea	5,500 sf	$825,650	5,500	6.5	$271.38
11 / Shelbourne	Condo	$482,663	1,516	9.0	$324.57
12 / Ambridge	T-House	$635,567	2,191	10.5	$290.86

These projects demonstrate overall absorption ranging from 4.9 to 10.5 sales per month. In addition, to these projects, several developments offered in Phase 1 of this project have sold out. A summary of the additional projects is as follows.

Project Date Open	Typical Lot Size	Base Price Range	Unit Size Range	$/SF Range	# Units Months Open	Abs.
Canadoro 4-2002	4,200 sf	$530,990 to $587,490 **$565,365 (Average)**	1,598 to 2,012 **1,845 sf**	$291.99 to $332.28 **$307.87**	101 13	7.8
Amberly 6-2002	4,200 sf	$660,880 to $677,880 **$674,547 (Average)**	2,365 to 2,697 **2,533 sf**	$251.35 to $279.44 **$266.88**	96 13	7.4
Fiorre 6-2002	7,000 sf	$890,880 to $903,290 **$894,350 (Average)**	3,618 to 4,192 **3,882 sf**	$215.48 to $246.24 **$231.11**	68 17	4.0
Montage 7-2002	4,200 sf	$644,980 to $688,980 **$672,230 (Average)**	1,938 to 2,383 **2,251 sf**	$289.12 to $332.81 **$300.11**	115 17	6.8

These additional developments are sold out and closed out as of the effective date of valuation. In addition, information provided by the developer produced the following information for this project through February 2004.

Total Lots Released for Sale..........1,012
Total Units Sold..........994
Total Units Closed (September 2002 – First Closing)..........733
Total Sales 2004..........77

The overall absorption characteristics for this project generally range from 4.0 to 10.5 sales per month. The is another way of analyzing absorption for this project based on the total number of units sold, as well as the total number of units closed. Essentially, this project has been opened for eighteen months. The total units sold equate to 55.22 units sold per month, which equates to 663 units on an annualized basis. The total units closed equate to 48.87 units per month based on the first closing in September 2002, which equates to 586 units on an annual basis. Based on review of this element, the number of projects offering homes in this community is not prohibitive at this time. In addition, the developments identified within Phase 2 of this project are getting ready to commenced marketing. The appraiser was provided with the proposed pricing for these communities, which is identified on the following table.

Project Developer	Village Lot Size	Base Price Range	Unit Size Range	$/SF Range
Adventura Centex Homes	Village 20 4,050 sf	$710,000 to $745,000 $731,350 (Average)	2,259 to 2,490 sf 2,392 sf (Average)	$299.20 to $314.30 $305.45 (Average)
Luminaria Centex Homes	Village 23 5,500 sf	$844,000 to $886,000 $865,333 (Average)	3,314 to 3,746 sf 3,542 sf (Average)	$236.52 to $254.68 $242.69 (Average)
Waterford Greystone Homes	Village 25 6,000 sf	$977,950 to $1,007,950 $992,950 (Average)	3,833 to 4,164 sf 3,999 sf (Average)	$242.06 to $255.14 $248.60 (Average)
Brighton Greystone Homes	Village 21 4,000 sf	$757,950 to $777,950 $767,950 (Average)	2,422 to 2,538 sf 2,480 sf (Average)	$306.52 to $312.94 $309.73 (Average)
Savoy Brookfield Homes	Village 24 5,850 sf	$930,900 to $978,900 $956,233 (Average)	3,479 to 3,815 sf 3,666 sf (Average)	$256.59 to $267.58 $260.99 (Average)
Carlyle Brookfield Homes	Village 22 4,500 sf	$805,900 to $838,900 $824,567 (Average)	2,946 to 3,230 sf 3,120 sf (Average)	$259.72 to $273.56 $264.54 (Average)

The overall pricing for these communities is the most recent in the entire community.

Projects 13 through 21 are all located in the Town of Dublin within the Dublin Ranch Country Club master planned community, as well as the Dublin Ranch community. There are currently 10 developments offering new homes in these areas at this time and a summary of the project characteristics are identified on the following page.

Project	Typical Lot Size (SF)	Average Base Price	Average Unit Size (SF)	Average Absorption	Average Price / SF
13 / Turnberry	7,000 sf	$1,037,975	4,728	6.1	$219.81
14 / Inverness	9,900 sf	$1,118,475	4,616	3.8	$242.75
15 / Pinnacle	10,890 sf	$1,425,975	5,035	5.0	$283.99
16 / St. Andrews	5,200 sf	$972,642	3,723	3.1	$261.74
17 / The Villas	Condo	$492,808	1,383	10.8	$356.02
18 / Courtyards	Condo	$525,175	1,735	8.7	$308.72
19 / Terraces	Condo	$444,975	1,218	16.5	$367.04
20 / Cottages	Condo	$579,261	1,924	8.4	$305.42
21 / Riva	5,800 sf	$698,283	2,161	4.1	$324.20
22 / Rainsong	6,300 sf	$764,064	2,781	2.7	$277.69

Overall average pricing in Dublin is heavily influenced by the projects located within the Dublin Ranch Country Club. Some of the lots in this project have views of the golf course, which influence the overall values identified within this community. In addition, there is a preponderance of condominium projects located in close proximity to Interstate 580. Nonetheless, absorption indictors are strong at the current time based on inspection of these projects.

In order to isolate absorption indicators for the subject, the active projects identified in the prior table are based on the typical lot size. This is identified as SFD-1 through SFD-8. When applicable, the unit mix based on the average size based on the parameters for Phase 4 is included in this table. Furthermore, it excludes the attached projects.

Project	Typical Lot Size (SF)	Average Base Price	Average Unit Size (SF)	Average Absorption	Average Price / SF
8 / Wyngate	3,000 sf	$650,880	1,839	8.9	$355.02
Courtyard Homes (Village 39)	*3,150 sf*	*$614,213*	*1,800*		*$342.23*
3 / Villa Pasco	3,300 sf	$568,650	1,630	8.7	$349.49
SFD-3 (Village 32)	*4,050 sf*	*$692,217*	*2,400*		*$288.00*
SFD-3 (Village 33)	*4,000 sf*	*$700,923*	*2,500*		*$280.00*
4 / Coronado	4,200 sf	$720,994	2,485	7.0	$291.65
6 / Amicelli	4,200 sf	$700,830	2,315	4.9	$303.35
SFD-4 (Village 34)	*4,500 sf*	*$779,286*	*2,900*		*$269.00*
16 / St. Andrews	5,200 sf	$972,642	3,723	3.1	$261.74
9 / Belrose	5,500 sf	$943,650	3,409	9.7	$277.64
10 / Taramea	5,500 sf	$825,650	3,045	6.5	$271.38
SFD-5 (Village 36)	*5,500 sf*	*$834,534*	*3,400*		*$245.00*
21 / Riva	5,800 sf	$698,283	2,161	4.1	$324.20
SFD-5 (Village 35)	*5,850 sf*	*$863,055*	*3,600*		*$240.00*
22 / Rainsong	6,300 sf	$764,064	2,781	2.7	$277.69
5 / Monarch	6,500 sf	$776,150	2,525	8.4	$310.84
7 / Delamore	6,600 sf	$987,017	4,173	5.0	$237.48
13 / Turnberry	7,000 sf	$1,037,975	4,728	6.1	$219.81
SFD-8 (Village 37)	*8,050 sf*	*$958,950*	*4,000*		*$240.00*
2 / Gallery	9,500 sf	$1,003,900	3,562	8.4	$285.67
14 / Inverness	9,900 sf	$1,118,475	4,616	3.8	$242.75
1 / Summit Bridge	10,000 sf	$1,628,272	5,425	0.83	$307.24
15 / Pinnacle	10,890 sf	$1,425,975	5,035	5.0	$283.99

The overall pricing structured for the recent purchase prices for the subject lots in Phase 4 are fairly consistent with market indicators. While there is somewhat of a wide range, the pricing identified for the subject is very reasonable in conjunction with the overall market indicators for this project.

The same methodology was applied for the attached projects identified for review in this analysis. These projects are identified on the following table. The overall proposed pricing for the townhouse project in Phase 4 is highly reasonable when compared to the current absorption evidenced by the competing projects.

Project	Typical Lot Size (SF)	Average Base Price	Average Unit Size (SF)	Average Absorption	Average Price / SF
19 / Terraces	Condo	$444,975	1,218	8.4	$367.04
17 / The Villas	Condo	$492,808	1,383	10.8	$356.02
11 / Shelbourne	Condo	$482,633	1,516	9.0	$324.57
18 / Courtyards	Condo	$525,175	1,735	8.7	$308.72
20 / Cottages	Condo	$579,261	1,924	8.4	$305.42
12 / Ambridge	T-House	$635,567	2,191	10.5	$290.86
Townhouse (Village 38)	*T-House*	*$530,013*	*2,227*		*$244.00*

All of the factors demonstrated in this section of the report impact the potential absorption for this project. The projected population, household and job growth, indicate the potential demand for approximately 73,240 households over the next twenty years in the "Tri-Valley" area. According to figures derived in ABAG Projections 2002, there will be a shortage of nearly 6,230 units over this time frame when considering the total number of potential units to be developed. This could realistically be greater as there are is a deficit of 26,480 projected for Santa Clara County over the same time frame. All of the economic variables noted by ABAG suggest that San Ramon and Dublin are major growth areas into the foreseeable future based on the availability of land for development.

The various cities and areas surrounding this property were analyzed relative to current supply. Based on the present market conditions, this has minimal impact on this property, based on the present status for development. There is other large scale projects on the planning horizon in areas outside the "Tri-Valley" area, in East Contra Costa County and San Joaquin County. They include numerous units for development and have their own battles to fight including water rights and entitlements. Nevertheless, one common theme was noted by several market participants is that they are not located in San Ramon, close to work centers, and require significant commute times. These projects are secondary in terms of potential supply.

Lastly, current projects were surveyed for absorption references at the time of this appraisal to gauge present market conditions. Competitive areas were in San Ramon and Dublin, as these communities include several developers marketing homes with multiple projects. The Gale Ranch development by Shapell is up and running with several projects and represents absorption potential by a single-developer. Current "price-points" are higher than that proposed for the subject property as of the date of valuation. The best indicators to potential absorption for the subject reflect the sales of the individual projects within the Windemere Ranch community. Pricing is comparable to the competing projects and sales have been strong since opening in mid 2002.

There are three homebuilders/developers proposing to build-out the subject property at this time. In addition, there is a wide range in the lot sizes for this project that provides market segmentation with respect to the type of project to be developed. It was reported by the developers that there will be three projects, by each developer at any given time within the development for a total of nine projects marketing units at any given time. This difference in lot size as well as the proposed range in home size is wide enough to support multiple projects. Assuming 8 projects (based on Phase 4 parameters) potential absorption for this project has been calculated at 5.0 to 7.0 sales per month, per project. This equates to annual absorption of 480 to 672 sales per annum for this project.

Additional support for absorption in this project is based on the overall project itself. As noted, the average project absorption for this project based on total sales is 663 units per annum based on total sales and 586 units per annum based on closed sales.

Lastly, the absorption of the lots by the three homebuilders in this project is also considered in the absorption potential for this project. As noted in the *History of the Property Section* of this report, 628 lots were acquired in December 2001, 302 lots acquired in December 2003, and 448 lots acquired in November 2003. Overall, 1,378 lots in this project have been acquired over the past three years. This is based on detached lots only and excludes the applicable townhouse units. This includes an additional 302 units acquired in 2002, bringing the total lots acquired for market-rate units to 1,680 or an average of 560 lots per annum.

Overall, the three methods of deriving annual absorption for the lots included in this analysis yielded the following conclusions

Project Absorption	480 to 672 units per annum
Historic Sales	586 to 663 units per annum
Lot Acquisitions	560 lots per annum

Based on review of the various characteristics, average absorption of 550 lots per annum is highly reasonable for the subject property. There are a total of 2,645 remaining "for-sale" units in this project (excluding affordable project). Based on the absorption projection above, the total life of this project is 5 years based on absorption projections. These conclusions of market absorption are subject to the special assumption that there are no "growth control" measures implemented by the City of San Ramon throughout the development of this project.

Conclusion – Market Overview

The market conditions for development appear to be optimal at this time. There is sufficient demand with supply constraints assisting in the rapid indicators for absorption at this time. The subject has the potential to exceed absorption rates as concluded in this analysis, however they appear justified and cautious based on the volatile nature of this market. It is worth noting that a majority of market participants interviewed in this analysis indicated that they owned this property, or portions for future development. Most cite the location as one of the premiere development sites in the Bay Area.

HIGHEST AND BEST USE

"Highest and best use may be defined as:

> ***The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value".*** [4]

The highest and best use of a specific parcel of land is not determined through subjective analysis of the property owner, the developer, or the appraiser; rather highest and best use is shaped by the competitive forces within the market where the property is located. Therefore, the analysis and interpretation of highest and best use is an economic study of market forces focused on the subject property. The use that maximizes value represents the highest and best use.

Highest and Best Use Analysis

In accordance with the definition of highest and best use, it is appropriate to analyze the subject site as though vacant as it relates to legality of use, physical possibilities, financial feasibility, and maximal productivity.

Legally Permissible

This criterion considers the legal restrictions to the subject property. The subject property is zoned P-1, Planned Unit Development according to Contra Costa County Planning Officials. This is a general zoning ordinance for this project, as all applicable land uses are based on the Dougherty Valley Specific Plan. Essentially, this document has analyzed potential land uses for this project and has derived a mix of uses that have been approved for this project. Alternative land uses have not been explored other than those approved through this document. With this plan implementing the potential land uses for this project, legally permissible uses for the property are generally limited to land uses based on the current entitlements. Specifically, this includes development of a mixed-use community with detached single-family residential, multi-family residential, as well as public land uses including open space.

Physically Possible

The subject is proposed for the development of 2,234 detached residential lots, 91 courtyard lots, and 320 attached for-sale units. Given the size and magnitude of this project, it has been phased with three remaining phases of development. Phases 1A, 1B have already been delivered and sold with production homes as this appraisal encompasses the remaining land uses within this community. In order to get this property to this stage, there have been numerous hurdles in attaining the entitlements for development. It appears that all issues regarding the potential development of this property have been resolved (refer to special assumptions of this report), and development is scheduled to begin after a 10-15 year process. The subject property is comprised of the following land uses.

-2,234 Detached Single-Family Residential Lots
-91 Courtyard Lots
-320 Attached For-Sale Lots

The detached single-family residential uses are comprised of seven, product types with lots ranging in size from 3,150 to 8,050 square feet. There are different unit types projected for each of the project components. Development of this project will be in three remaining phases of development. There are no physical constraints that would impede the development of the site, as vacant. This project is strictly designed for development in conformance with the Dougherty Valley Specific Plan and all necessary approvals appear to be in place for such a use. Given the location of the subject property, as well as the entitlements, alternative uses have not been examined as this use clearly provides the highest use as though vacant. Based on the physically possible and legally permitted uses, a single-family residential use is most prudent. The next two criterion, financially feasible and maximally productive will determine if development of this use is feasible in the current market.

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[4] The Appraisal of Real Estate, Tenth Edition, The Appraisal Institute, 1992, Page 275.

Financially Feasible/Maximally Productive

Any use of the subject site that provides a financial return to the land in excess of that required to satisfy operating expenses, financial expenses, and capital amortization is considered financially feasible. The cost of land limits those uses that are financially feasible for the site. The maximally productive criterion considers the specific use that is physically possible, legally permissible, and financially feasible and produces the greatest rate of return to the property.

Market conditions appear favorable at this time for residential development. The developers have proposed a development alternative to this project incorporating a mix of detached single-family residential, multi-family, and commercial development. These uses appear consistent with other properties being developed in this area at this time. The potential supply is another issue. The subject is likely to have minimal competition in the foreseeable future. Area that will compete with this project include the adjacent project owned by Shapell Industries, as well as in Dublin. However, the projected "buildout" of these areas does not meet the potential demand for housing units as noted in ABAG, Projections 2003. Market forces, as well as the supply suggest immanent development. Given the overall sales achieved in this project, as well as demand variables in this current market environment the Financially Feasible/Maximally Productive use for this project is development of the project. The proposed phasing of this project reflects the highest return to this site. Development of this project in phases allocates the infrastructure costs over the life of the project and minimizes holding costs.

Highest and Best Use - Conclusions

All four criterion utilized for the highest and best use indicate that immanent development of the site reflects the highest return to the land at this time. This includes immediate development immediate development of Phase 4, with continued development of the remaining land uses in phases over the planning timeframe as identified for this project.

Methodology

The valuation process is the orderly program in which the data used to derive an opinion of value for the subject property as it is acquired, classified, analyzed and presented. The first step in the process is to define the appraisal problem, i.e., identify the real estate, the effective date of the value estimate, the property rights being appraised, and the type of value sought. Once this has been accomplished, the appraiser collects and analyzes the factors that affect the opinion of market value of the subject property. These factors are addressed in the area and neighborhood analysis, the site and improvement analysis, and the highest and best use analysis, and in the application of the three approaches to value. Appraisers generally use three approaches to value; the Cost Approach, the Sales Comparison Approach and the Income Approach. The first step in the appraisal of proposed subdivisions is to examine different value scenarios for the proposed development. In the case of the subject property, the purpose of this appraisal is to provide an opinion to the market value based on the following scenarios:

- *Market Value "As Is"* – This scenario reflects the opinion of value for the entire project as it legally and physically exists as of the effective date of valuation. At the request of the client, this has been allocated as follows.

    A. Phase 2 – Value as finished lot for each ownership group
    B. Phases 4, 3, and 5 – Values presented as each phase

Valuation

As of the date of this appraisal, the subject property represented vacant land proposed for development under the uses identified in this report. To value the property on this basis, all of the traditional approaches to value have been considered, or applied in some manner in order to arrive at the opinion of value on an "as is" basis. The main approach utilized in this analysis reflects utilization of the income approach through a discounted cash flow model. Steps utilized in order to derive the "line-items" for use in this cash flow analysis are as follows.

1) Determine the value of this property on an "as-if complete" basis through utilization of the sales comparison approach and the income approach. For this analysis, comparable sales were obtained based on transactions involving all types of properties at the time of sale, including paper lots, "blue-top" lots, and finished lots. The analysis of this project is based on finished lots for the residential components. The other land components for this project, including the multi-family uses, were valued under the assumption of "superpad" sites. In addition, for the single-family residential uses, a discounted cash flow model was performed for each lot classification for additional support due to the lack of recent comparable sales.

2) The appropriate absorption rate for this project will be applied to the projected revenues in order to derive a series of potential revenues for this project over the development period.

3) All appropriate costs for the development of the project are deducted from the net revenues. These include applicable property taxes over the absorption period, costs to complete the "backbone" infrastructure, the "in-tract" improvements, as well as appropriate costs for overhead, sales and marketing, and an allowance for entrepreneurial profit for the development of the project to a finished lot condition.

4) The last item necessary for this cash flow, is utilization of an appropriate discount rate based on alternative investments. For this analysis, published surveys were reviewed, and potential rates of return were discussed with several market participants.

Once all of these items have been performed, the results of this cash flow will reflect the "as is" value for this property. This is the manner in which potential developers, investors, etc., analyze large residential properties of this nature. The market environment was surveyed for potential large tracts of land that have sold in a similar manner as the subject. While several market segments were surveyed, there have been no similar properties of a similar nature involving the number of lots as proposed for this project. Essentially, there is not enough data to warrant analysis of this property on this basis.

The final step in this analysis is the reconciliation.

LAND VALUATION

The first step in this analysis is to derive a "benchmark" land value for this property. The conclusions of this analysis will be utilized as the basis for the discounted cash flow models utilized for this property. There will be two approaches utilized for the residential components of this project, including the detached residential uses, as well as the "for-sale" multi-family uses. The sales comparison approach will analyze comparable sales within the "Tri-Valley" area relative to this project. Adjustments for both economic characteristics, as well as physical characteristics will be applied to these properties in order to derive an opinion of value for this approach. The second approach utilized is a "land-residual" method, based on the projected revenues, less the appropriate costs of construction incurred for the development of production homes. This includes direct costs, permits and fees (attributed to home construction), as well as soft costs and an allowance for entrepreneurial profit (based on home construction). The land value reference for the multi-family uses will be analyzed by the sales comparison approach only, as no details to the proposed construction was provided for review in this analysis.

Sales Comparison Approach
Market Value "As if Complete"

This approach utilized for deriving an opinion of the market value as finished lots utilizes comparable sales that have occurred over the past three years. These are the best available transactions for use in this analysis. They include properties that have transferred on a finished lot basis, or as "blue-top" lots. The subject lots have been grouped by potential lot size for this analysis and have been adjusted on this basis. The analysis of the detached single-family residential lots includes the analysis of three "benchmark" land values based on the range of lot size. The comparable sales utilized in this analysis are summarized on the following table.

LAND ANALYSIS (BASED ON FINISHED LOTS)

The analysis and focus of the sales comparison approach will be predicated on an analysis of a "benchmark" project area as there are seven individual classifications based on size. For this analysis, the subject property will be analyzed based on a typical lot size of 4,500 square feet (SFD-4). Additionally, as the comparable sales include transactions of numerous lots, the "benchmark" project size has been selected at 100 lots, based on a typical project size throughout the immediate area. Granted, there are no lots in this project of this size, but the valuation is based on a size toward the middle of these three project areas. Once established, refinements to the opinion of value, primarily for size will be considered to the concluded value. This will provide an opinion of value for each individual product line. A summary of the comparable sales utilized for this product type is displayed below.

Summary of Residential Land Sales
Windemere Ranch
SFD-4 Benchmark

Sale No.	Location/APN	Purchaser/ Seller	COE Sale Date	Sales Price	# of Lots	Per Lot Dev. Costs Total	Typical Lot Size (SF)	Utility/ Amenity
1.	970 and 986 Sycamore Road Pleasanton, CA 948-0016-013, 015	Summerhill Homes New Cities Development	Oct-03 Jul-03	$15,000,000	48	$312,500 $218,500 *$531,000*	15,000 sf	Good None
2.	Vista Park Dr./Branham Dr. San Jose, CA 464-43-044	Summerhill Homes Pepper, et al	Feb-03 Feb-02	$21,750,000	78	$278,846 $55,385 *$334,231*	3,850 sf	Good None
3.	SEC of Eucalyptus & Wetlands Edge Drive American Canyon, CA 058-040-003, 004, 034 (Por.)	Richmond American Napa Fortnight	Aug-03 Mar-03	$17,940,000	92	$195,000 $0 *$195,000*	8,000 sf	Good None
4.	SEC of Eucalyptus & Wetlands Edge Drive American Canyon, CA 058-040-003, 004, 034 (Por.)	Richmond American Lennar Communities	Aug-03 Mar-03	$18,135,000	93	$195,000 $0 *$195,000*	8,000 sf	Good None
5.	2287 Vineyard Avenue Pleasanton, CA 946-1350-014, 015	GHC Investments Mardell LLC	Jul-03 Pending	$13,200,000	48	$275,000 $233,600 *$508,600*	16,300 sf	Good None
6.	4190 San Felipe Road San Jose, CA 660-220-009, 010, 011	Pulte Brookfield Homes	Mar-01 Nov-00	$19,450,000	40	$486,250 $0 *$486,250*	8,000 sf	Good None
7.	NE side of N. Dublin Ranch Rd. E of Tassajara Road Dublin, CA 985-008-001	Brookfield Homes Shea Homes	Feb-00 Oct-99	$19,110,000	91	$210,000 $40,000 *$250,000*	6,000 sf	Good None
8.	West side of Bollinger Canyon Rd. & Crow Canyon Rd. San Ramon, CA 209-020-004	New Cities Development William Lyon Homes	Jan-00 Jul-99	$21,692,000	140	$154,943 $102,200 *$257,143*	7,500 sf	Good Views
Subject	*Windemere Ranch* *Benchmark Project*	*Windemere BLC Land Co.*			*100*		*4,500 sf*	*Good* *None*

RESIDENTIAL LAND SALES MAP

Application of Adjustments

Prior to adjustments to the comparable sales, the price per finished lot (typical unit of comparison) ranged from $195,000 to $531,000 per lot. The comparable sales utilized in this analysis reflect the best available transactions for this analysis. Land transactions considered comparable to the subject are scarce in this market segment. As noted, the adjustments to the comparable sales are adjusted to the specifics of the "benchmark" project area with a typical lot size of 4,500 square feet and a hypothetical 100 units. Granted, these physical components do no exist for the subject, but is identified for the ease of the adjustment process. The following is a discussion of the adjustments applied to the comparable sales.

Property Rights Transferred

Each of the comparable sales represents a conveyance of the fee simple estate, and therefore no adjustments are necessary for this element.

Financing Terms

All of the sales were reported to involve all cash to the seller at the close of escrow. No adjustments necessary.

Conditions of Sale

Each sale utilized in this analysis is indicative of an arms length transaction. No adjustments required.

Market Conditions

As discussed previously in the *Market Overview* section of this report, the market conditions for the subject's area have stabilized after a period of correction in 2001. The overall reduction in interest rates, accompanied with the lack of supply of vacant land has pressed home prices upward over the past eighteen months. In 2001, several projects in this area offered concessions and incentives to purchase, whereas some developments have flat out reduced prices. However, through 2002, concessions have dissipated, where prices have increased slightly and total sales in the area have increased. This follows several years of significant price appreciation in the present market climate. Price appreciation in the local area was roughly from 20% to 40% from the end of 1998 to the end of 2000. The end of 2000, November to December appears to be the period when the market peaked. Several residential subdivisions in this market segment reduced prices from the end of 2000 to the early part of 2002. Since this time frame, market activity increased and developers started raising prices moderately to gauge if homebuyers would accept further increases. In 2003, this demand increased where price increases were accepted by homebuyers and showed dramatic increases. The following table summarizes average pricing (detached) in the overall Bay Area since 2000.

Area	2000 Median Base Price	2001 Median Base Price	2002 Median Base Price	2003 Median Base Price	% Change 2000-2003
Alameda County	$480,450	$608,700	$658,300	$763,203	58.8%
Contra Costa County	$301,590	$346,490	$359,490	$500,406	65.9%
–Central	$556,450	$630,825	$638,550	$725,076	30.3%
Santa Clara/San Mateo	$572,688	$609,900	$639,496	$728,742	27.2%
North Bay	$430,934	$428,506	$491,437	$596,071	38.3%
Solano County	$309,341	$311,803	$387,757	$410,529	32.7%

The average pricing through 2003 is through September and the overall changes are based on a 33-month period. Based on this level, average pricing has increased from 0.9% to 2.0% per month over this time frame. Based on review of these pricing characteristics, it seems that average pricing has gained back any decreases evidenced in 2001 as it continues to press upward. Based on review of this element, an adjustment of 1.50% per month for market conditions seems reasonable for this analysis.

Another way of analyzing this potential adjustment is to examine the individual land sales within the Windemere Community. The selection of lots at a typical size of 5,500 square feet was utilized for this calculation as this classification of lots has sold in the prior phases of development. A summary of the overall calculations are as follows.

Phase Reference	Date of Sale	Price Per Lot
Phase 1A – Village 12	December 2001	$303,403
Phase 1B – Village 16	December 2002	$326,631
Phase 2 – Village 23	November 2003	$349,507
TOTAL CHANGE		**15.2%**

The total change in pricing from the transfers within the Windemere Community suggests a 15.1% change over a 23 month period. This represents an increase of 0.66% per month. Based on review of the price appreciation noted in the overall market (1.5%/month), as well as the changes in value within the Windemere Community (0.66%/month), the land sales within this analysis have been adjusted upward 1% per month for the overall improvement in market conditions. As such, adjustments for this analysis were based on the date of sale and are identified in the table below.

Comp.	Sale Date	Months	% Adj.	Total Adj.
1	7-03	9	1%/mo.	9%
2	2-02	26	1%/mo.	26%
3	3-03	13	1%/mo.	13%
4	3-03	13	1%/mo.	13%
5	7-03	9	1%/mo.	9%
6	11-00	41	1%/mo.	41%
7	10-99	54	1%/mo.	54%
8	7-99	57	1%/mo.	57%

Number of Lots

The adjustment for the number of lots is based on the overall holding costs. The comparable sales in this analysis include from 40 to 140 lots. There is some difference with respect to the total number of lots based on holding costs of these lots throughout the development. Essentially, the subject property will have slightly higher holding costs relative to the comparable sales, based on absorption rates in the present market environment. For this analysis, adjustments have been calculated based on the difference in the number of lots and the subject, factored at a typical absorption rate. Based on an absorption rate of 6 sales per month, as demonstrated by projects in this market segment, some of the comparables require some adjustment as they will either absorb quicker than benchmark lot total, or take slightly longer. The total monthly difference in then multiplied by a holding factor of ¼% per month. This results in a variation in the holding costs. Based on these parameters, the adjustments for the number of lots included in the transaction are as follows:

Comp	1	5	6	8
# of Lots	48	48	40	140
Subject –Benchmark	100	100	100	100
Difference	52	52	60	40
Absorption Factor	6/Mo.	6/Mo.	6/Mo.	6/Mo.
Monthly differential	8.6 Mo.	8.6 Mo.	10.0 Mo.	6.67 Mo.
X Factor	¼%	¼%	¼%	¼%
% Adjustment	(2.0%) RD	(2.0%) RD	(2.5%) RD	+1.5% RD

Location

The comparables utilized in this analysis were obtained from the cities throughout the greater Bay Area, due to the lack of recent land sales in the immediate area as the subject property. This is a function of supply rather than market conditions. Based on review of the comparable sales presented in this analysis, comparables 7 and 8 are deemed similar to the subject in terms of location, which demonstrate a range from $358,750 to $364,400 for the subject. The remain comparable sales were derived from outer areas including San Jose, Pleasanton, and American Canyon, all offering differences to the subject. In order to isolate differences, the first step is to identify the current average home pricing in San Ramon.

San Ramon Median New Home Price (Detached)	$747,143
San Ramon Average Price per Square foot	$280.71

The first step in this analysis is to isolate differences for the City of Pleasanton as demonstrated by comparables 1 and 5. The adjusted sales prices per lot for these two properties after all of the applicable adjustments equates to $395,774 (comparable 1) to $435,940 (Comparable 5). This reflects a difference from $25,774 to $65,940 per lot in comparison to Comparables 7 and 8 deemed to have a similar location as the subject. This equates to approximately 6.8% to 17.57% based on paired sales analysis. Recognizing the superior locational characteristics for the City of Pleasanton, the housing parameters were also examined. A summary of the differences in terms of current pricing for these areas is as follows.

San Ramon Median New Home Price (Detached)	$747,143
Pleasanton Median New Home Price (Detached)	$896,908
Difference	16.7%

Overall, the housing indicators from the City of Pleasanton suggest a difference in price of 16.7%. Based on consideration of the paired sales analysis for the land sales, as well as an examination of the housing characteristics, these properties have been adjusted downward 10% for the superior location.

The next areas examined are the two properties located in San Jose. Both of these properties are located in the eastern San Jose area. The adjusted sales prices per lot for these two properties after all of the applicable adjustments equates to $447,131 (comparable 2) to $624,763 (Comparable 6). This reflects a difference from $77,131 to $254,763 per lot in comparison to Comparables 7 and 8 deemed to have a similar location as the subject. This equates to approximately 20.8% to 68.5% based on paired sales analysis. Recognizing the superior locational characteristics for the City of San Jose, the housing parameters were also examined. A summary of the differences in terms of current pricing for these areas is as follows.

San Ramon Median New Home Price (Detached)	$747,143
San Jose Median New Home Price (Detached)	$902,296
Difference	17.3%

Overall, the housing indicators from the City of San Jose suggest a difference in price of 17.3%. Based on consideration of the paired sales analysis for the land sales, as well as an examination of the housing characteristics, these properties have been adjusted downward 20% for the superior location.

Lastly, the two comparables located in American Canyon are presented. The adjusted sales prices per lot for these two properties after all of the applicable adjustments equates to $176,600 (comparables 3 and 4). This reflects a difference of $194,000 per lot in comparison to Comparables 7 and 8 deemed to have a similar location as the subject. This equates to approximately 109.5% based on paired sales analysis. Recognizing the superior locational characteristics for the City of American Canyon, the housing parameters were also examined.

San Ramon Median New Home Price (Detached)	$747,143
American Canyon Median New Home Price (Detached)	$522,996
Difference	42.9%

Overall, the housing indicators from the City of American Canyon suggest a difference in price of 42.9%. Based on consideration of the paired sales analysis for the land sales, as well as an examination of the housing characteristics, these properties have been adjusted upward $200,000 per lot for the inferior location.

Density (Typical Lot Size)

The adjustment for density is based on the typical lot size for each development. Based on the vast differences in size in relation to the subject's "benchmark" size identified at 4,500 square feet, adjustments were necessary to each of the comparable sales presented in this analysis. This adjustment is quantified through analysis of the discounted cash flow models presented later in this report for each lot classification identified in this report. Since these models were mirrored based on the actual units being developed in this project, the differences are attributed to lot size. The following table summarizes these differences as compared to the benchmark lot size of 4,500 square feet.

Classification	Lot Size	Value Indicator	Variance SF	Variance Price	Per SF
SFD-1	3,150 sf	$290,300/Lot	1,350 sf	$50,200	$37.19
SFD-2	3,825 sf	$297,100/Lot	675 sf	$43,400	$64.30
SFD-3	4,050 sf	$304,900/Lot	450 sf	$35,600	$79.11
SFD-4	4,500 sf	$340,500/Lot	--	--	--
SFD-5	5,500 sf	$350,900/Lot	1,000 sf	$10,400	$10.40
SFD-6	6,500 sf	$373,100/Lot	2,000 sf	$32,600	$16.30
SFD-8	8,050 sf	$385,700/Lot	3,550 sf	$45,200	$12.73

The differences in lot size for this project range from $10.40 to $79.11 per square foot. Based on review of these differences, the projects smaller than the "benchmark" project are considerably higher than those larger than the "benchmark" project size. The difference is generally attributed to the size of homes which can potentially be developed in each project area as smaller lot projects have constraints on building size due to setback requirements. The opposite holds true as lot sizes get larger as the lots do not often get developed to the maximum density. Due to this element, the comparables deemed smaller than the subject are adjusted at $40 per square foot, whereas properties larger than the "benchmark" size are adjusted at $12.50 per square foot.

The following chart is an application of the aforementioned adjustments.

ELEMENTS OF COMPARISON	SUBJECT	1	2	3	4	5	6	7	8
Sales Price per lot		$312,500	$278,846	$195,000	$195,000	$275,000	$486,250	$210,000	$154,943
Improvement Status	Finished	Paper	Paper	Finished	Finished	Paper	Finished	Blue-Top	Paper
Development Costs		$218,500	$55,385	$0	$0	$233,600	$0	$40,000	$102,200
Indicated Price per Finished Lot		**$531,000**	**$334,231**	**$195,000**	**$195,000**	**$508,600**	**$486,250**	**$250,000**	**$257,143**
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
-Adjustment		$0	$0	$0	$0	$0	$0	$0	$0
-Adjusted Base		$531,000	$334,231	$195,000	$195,000	$508,600	$486,250	$250,000	$257,143
Financing Terms	Cash	Cash	Cash	Cash	Cash	Cash	Cash	Cash	Cash
-Adjustment		$0	$0	$0	$0	$0	$0	$0	$0
-Adjusted Base		$531,000	$334,231	$195,000	$195,000	$508,600	$486,250	$250,000	$257,143
Conditions of Sale	Arms-Length	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
-Adjustment		$0	$0	$0	$0	$0	$0	$0	$0
-Adjusted Base		$531,000	$334,231	$195,000	$195,000	$508,600	$486,250	$250,000	$257,143
Market Conditions	Apr-04	Jul-03	Feb-02	Mar-03	Mar-03	Jul-03	Nov-00	Oct-99	Jul-99
-Adjustment		9%	26%	13%	13%	9%	41%	54%	57%
-Adjusted Base		$578,790	$421,131	$220,350	$220,350	$554,374	$685,613	$385,000	$403,715
Adjusted Price per Finished Lot		**$578,790**	**$421,131**	**$220,350**	**$220,350**	**$554,374**	**$685,613**	**$385,000**	**$403,715**
Physical Characteristics									
Typical Lot Size	4,500 sf	15,000 sf	3,850 sf	8,000 sf	8,000 sf	16,300 sf	8,000 sf	6,000 sf	7,500 sf
-Adjustment		**$ (131,250)**	**$ 26,000**	**$ (43,750)**	**$ (43,750)**	**$ (147,500)**	**$ (43,750)**	**$ (18,750)**	**$ (37,500)**
Location	Good	Superior	Superior	Inferior	Inferior	Superior	Superior	Similar	Similar
-Adjustment		**$ (58,000)**	**$ (84,000)**	**$ 200,000**	**$ 200,000**	**$ (55,500)**	**$ (137,100)**	**$ -**	**$ -**
Number of Lots	100	48 (2.0%)	78	92	93	48 (2.0%)	40 (2.5%)	91	140 (+1.5%)
-Adjustment	**Benchmark**	**$ (11,600)**	**$ -**	**$ -**	**$ -**	**$ (11,100)**	**$ (17,100)**	**$ -**	**$ 6,100**
Net Adjustment		***$ (200,850)***	***$ (58,000)***	***$ 156,250***	***$ 156,250***	***$ (214,100)***	***$ (197,950)***	***$ (18,750)***	***$ (31,400)***
Indicated Price per Finished Lot		**$377,940**	**$363,131**	**$376,600**	**$376,600**	**$340,274**	**$487,663**	**$366,250**	**$372,315**

Analysis of Comparable Sales

Comparable Sale Number 1 – This is a 34.7-acre site which was recently placed under contract in July 2003 and closed in October 2003. It includes 48 lots with a typical lot size of 15,000 square feet and is configured on an elevated site with views of the local valleys and foothills. This property was offered for $22,000,000 or $458,333 per paper lot and was offered at this price for approximately 24 months. The purchase price was reported at $15,000,000. In order to build-up this project to a finished lot condition, the site development costs of $218,500 are added to the land value, for comparison of a finished lot at $531,000 per finished lot. As compared to the subject, downward adjustments were applied for the larger lot size, the superior location, and the number of lots included in the transaction. **The adjusted sales price equates to $377,940 per lot for the subject.**

Comparable Sale Number 2 – is the site for Summerhill Homes Vista Park subdivision on Aborn Road in the City of San Jose. It consists of mapped land for 78 small lots. Summerhill contracted for the property in December of 2000 for $28,750,000. In February of 2002, they renegotiated the price down to $21,750,000 plus a share of excess profit, if any. This results in a transaction price of $278,846 per lot. In order to build-up this project to a finished lot condition, the site development costs of $55,385 are added to the land value, for comparison of a finished lot at $334,231 per finished lot. As compared to the subject, a downward adjustment was applied for the superior location, whereas an upward adjustment was made for the smaller lot size. **The adjusted sales price equates to $363,131 per lot for the subject.**

Comparable Sale Number 3 – represents the acquisition of 92 finished lots by Richmond American Homes located in the City of American Canyon, in Napa County. The price was negotiated at $195,000 per finished lot and average home pricing anticipated for this project is near $550,000. The overall topography is generally level with some terraced lots and there is a minor view premium to the Napa River, west of this project site. As compared to the subject, a downward adjustment was applied for the larger lot size, which is more than offset by an upward adjustment for the inferior location. **The adjusted sales price equates to $376,600 per lot for the subject.** Overall, the net adjustments to this sale are excessive, however based on the lack of comparable land sales within the immediate area of the subject, it was necessary to utilize this property as a comparable.

Comparable Sale Number 4 – represents the acquisition of 93 finished lots by Lennar Communities located in the City of American Canyon, in Napa County. The price was negotiated at $195,000 per finished lot and average home pricing anticipated for this project is near $550,000. The overall topography is generally level with some terraced lots and there is a minor view premium to the Napa River, west of this project site. As compared to the subject, a downward adjustment was applied for the larger lot size, which is more than offset by an upward adjustment for the inferior location. **The adjusted sales price equates to $376,600 per lot for the subject.** Overall, the net adjustments to this sale are excessive, however based on the lack of comparable land sales within the immediate area of the subject, it was necessary to utilize this property as a comparable.

Comparable Sale Number 5 – This site was recently placed under contract in July 2003. It includes 48 lots with a typical lot size of 16,300 square feet. This property is located in a somewhat rural area with some of the lots backing to vineyards and trails. The purchase price was reported at $13,200,000 or $275,000 per lot. In order to build-up this project to a finished lot condition, the site development costs of $233,600 are added to the land value, for comparison of a finished lot at $508,600 per finished lot. As compared to the subject, downward adjustments were applied for the larger lot size, the superior location, and the number of lots included in the transaction. **The adjusted sales price equates to $340,274 per lot for the subject.**

Comparable Sale Number 6 – This site represents the transfer of 40 finished lots from Brookfield Homes to Pulte Homes in the transaction dating back to November 2000. These lots average 8,000 square feet and the overall location is in the Evergreen Valley, in the City of San Jose. As compared to the subject, a downward adjustment was applied for market conditions as this sale was transacted at the height of this market. Other adjustments to this sale include a downward adjustment for the larger lot size, number of lots included in the transaction and the superior location. **The adjusted sale price equates to $487,663 per lot for the subject.** Overall, it was reported that Pulte Homes was in acquisition mode at the time of sale and reported to pay a very favorable price for this property at the time of sale. Given the differentiation in this property relative to the remaining comparable sales presented in this analysis, this comparable is given little weight in the final opinion of value.

Comparable Sale Number 7 – is a land sale within the Dublin Ranch master planned community. It is located in the eastern portion of this community and includes the transfer of 91 lots, which were graded at the time of sale. These lots are typically 6,000 square feet and the buyers incurred an additional $40,000 is site development costs. Brookfield Homes has subsequently developed production homes on this project which has been sold out since mid-2002. Following a net upward adjustment for value changes over time, this sale was adjusted downward for the larger typical lot size. **The adjusted sale price equates to $366,250 per lot for the subject.**

Comparable Sale Number 8 – This comparable sale is located in the City of San Ramon along the western side of Bollinger Canyon Road at Crow Canyon Road, along the western side of Interstate 680. It includes the acquisition of 31.8 acres identified for residential development of 140 lots typically 7,500 square feet. This project has subsequently been developed and all production units sold. Site development costs were reported at $102,200 per lot and this projects affords minor views of the local area. Following a net upward adjustment for value changes over time, this sale was adjusted downward for the larger typical lot size, whereas an upward adjustment was applied for the number of lots included in the transaction. **The adjusted sale price equates to $372,315 per lot for the subject.**

Conclusion - Sales Comparison Approach

The following grid displays the adjusted unit price for each comparable sale as well as the degree of comparability as compared to the subject property.

DEGREE OF COMPARABILITY			
Sale #	Low	Average	High
1.			$377,940
2.			$363,131
3.		$376,600	
4.		$376,600	
5.			$340,274
6.	$487,663		
7.			$366,250
8.			$372,315

After adjustments, the comparable sales indicated a range from $340,274 to $487,663 per lot. This is a wide range for these properties, but based on their sale dates reflect the best available properties for comparison. Comparables 3, 4 and 6 are least credible in this analysis based on the significant difference in location and variances to the remaining comparable sales. Most weight seems to be from approximately $340,274 to $377,940 per lot. Based on the analysis of the comparable sales presented for this approach to value, a value opinion of $360,000 per finished lot is reasonable for the "benchmark" project identified at 4,500 square feet.

As mentioned, the subject is proposed for numerous lot sizes ranging from 3,150 square feet to 8,050 square feet. The applicable opinion of a finished lot value for this project is based on the opinion of the benchmark value noted above, with consideration to the applicable adjustments for lot sizes.

Conclusion – Sales Comparison Approach

Lot Class.	Typical Lot Size	Base Lot Size	Difference	Adjustment Factor	Adjustment	Base Lot Value	Concluded Lot Value
SFD-1	3,150 SF	4,500 SF	1,350 SF	$40/sf	($54,000)	$360,000	$306,000
SFD-2	3,825 SF	4,500 SF	675 SF	$40/sf	($27,000)	$360,000	$333,000
SFD-3	4,050 SF	4,500 SF	450 SF	$40/sf	($18,000)	$360,000	$342,000
SFD-4	4,500 SF	4,500 SF	0	0	$0	$360,000	$360,000
SFD-5	5,500 SF	4,500 SF	1,000 SF	$12.50/sf	+$12,500	$360,000	$377,500
SFD-6	6,500 SF	4,500 SF	2,000 SF	$12.50/sf	+$25,000	$360,000	$385,000
SFD-8	8,050 SF	4,500 SF	3,550 SF	$12.50/sf	+$44,375	$360,000	$404,375 $405,000 RD

INCOME APPROACH (DISCOUNTED CASH FLOW ANALYSIS)
INDIVIDUAL COMPONENTS

Due to the lack of recent and/or comparable land sales for the subject, the income approach is utilized through a residual analysis, in order to derive an opinion of value on an "as if complete" basis, or as finished lots lots. Once the opinions of value are derived on this basis, when reconciled with the sales comparison approach for a derivation of a finished lot value for each classification of lots. This is somewhat complicated, but the land sales in this market segment are vastly different in comparison to the subject. Similar to the sales comparison approach, projects are identified in a hypothetical unit mix of 100 units in each phase of development. While the total number of lots generally varies throughout this report, the function of the discounted cash flow model is to derive an opinion of value on a per lot basis for utilization in the cash flow models for the project in its entirety. A summary of the line-items for this cash flow are identified below.

Revenues

Revenues for this model are based on the projected selling prices of the homes. As noted in this report, there are seven classifications of lots for this project, which reflect different product types. A summary of the proposed pricing for the development of these homes as identified in the developer's pro-forma (phase 4) is as follows.

Housing Type	SFD-1 Village 39	SFD-3 Village 32	SFD-4 Village 34	SFD-5 Village 36	SFD-8 Village 37
Typical Lot Size (sf)	3,150 sf	4,050 sf	4,500 sf	5,500 sf	8,050 sf
Home Price	$614,213	$692,217	$779,286	$834,354	$958,950
Average SF	1,800 sf	2,400 sf	2,900 sf	3,400 sf	4,000 sf
Price Per SF (base)	$355	$288.00	$269.00	$245.00	$240.00

*The price per square foot identified for these project are predicated on the base revenues.

The price per square foot is the best indicator to compare to the competing projects as identified in this report. While this pro-forma was utilized for the calculation of the lot pricing for Phase 4, it was prepared in December 2003, and the overall pricing is based on this time frame. The following is a summary of the indicators as identified in the *Market Overview* section of this report.

Project	Typical Lot Size (SF)	Average Base Price	Average Unit Size (SF)	Average Absorption	Average Price / SF
8 / Wyngate	3,000 sf	$650,880	1,839	8.9	$355.02
3 / Villa Paseo	3,300 sf	$568,650	1,630	8.7	$349.49
4 / Coronado	4,200 sf	$720,994	2,485	7.0	$291.65
6 / Amicelli	4,200 sf	$700,830	2,315	4.9	$303.35
16 / St. Andrews	5,200 sf	$972,642	3,723	3.1	$261.74
9 / Belrose	5,500 sf	$943,650	3,409	9.7	$277.64
10 / Taramea	5,500 sf	$825,650	3,045	6.5	$271.38
21 / Riva	5,800 sf	$698,283	2,161	4.1	$324.20
22 / Rainsong	6,300 sf	$764,064	2,781	2.7	$277.69
5 / Monarch	6,500 sf	$776,150	2,525	8.4	$310.84
7 / Delamore	6,600 sf	$987,017	4,173	5.0	$237.48
13 / Turnberry	7,000 sf	$1,037,975	4,728	6.1	$219.81
2 / Gallery	9,500 sf	$1,003,900	3,562	8.4	$285.67
14 / Inverness	9,900 sf	$1,118,475	4,616	3.8	$242.75
1 / Summit Bridge	10,000 sf	$1,628,272	5,425	0.83	$307.24
15 / Pinnacle	10,890 sf	$1,425,975	5,035	5.0	$283.99

What is evident from these projects is that the overall pricing for Phase 4 is somewhat low as compared to the competing projects in this market segment. One example of this is the current pricing identified for Phase 2 of this project, which reflects the most recent pricing in the Windemere project as models are nearing completion and the units are ready for sale. The following table illustrates this level of pricing.

Project Developer	Village Lot Size	Base Price Range	Unit Size Range	$/SF Range
Adventura Centex Homes	Village 20 4,050 sf	$710,000 to $745,000 **$731,350 (Average)**	2,259 to 2,490 sf **2,392 sf (Average)**	$299.20 to $314.30 **$305.45 (Average)**
Luminaria Centex Homes	Village 23 5,500 sf	$844,000 to $886,000 **$865,333 (Average)**	3,314 to 3,746 sf **3,542 sf (Average)**	$236.52 to $254.68 **$242.69 (Average)**
Waterford Greystone Homes	Village 25 6,000 sf	$977,950 to $1,007,950 **$992,950 (Average)**	3,833 to 4,164 sf **3,999 sf (Average)**	$242.06 to $255.14 **$248.60 (Average)**
Brighton Greystone Homes	Village 21 4,000 sf	$757,950 to $777,950 **$767,950 (Average)**	2,422 to 2,538 sf **2,480 sf (Average)**	$306.52 to $312.94 **$309.73 (Average)**
Savoy Brookfield Homes	Village 24 5,850 sf	$930,900 to $978,900 **$956,233 (Average)**	3,479 to 3,815 sf **3,666 sf (Average)**	$256.59 to $267.58 **$260.99 (Average)**
Carlyle Brookfield Homes	Village 22 4,500 sf	$805,900 to $838,900 **$824,567 (Average)**	2,946 to 3,230 sf **3,120 sf (Average)**	$259.72 to $273.56 **$264.54 (Average)**

Ranked in order of lot size, these projects demonstrate the following characteristics.

Housing Type	SFD-3 Village 20	SFD-3 Village 21	SFD-4 Village 22	SFD-5 Village 23	SFD-5 Village 24	SFD-6 Village 24
Typical Lot Size (sf)	4,050 sf	4,050 sf	4,500 sf	5,500 sf	5,850 sf	6,000 sf
Home Price	$731,350	$767,950	$824,567	$865,333	$956,233	$992,950
Average SF	2,392 sf	2,480 sf	3,120 sf	3,542 sf	3,666 sf	3,999 sf
Price Per SF (base)	$305.45	$309.73	$264.54	$242.69	$260.99	$248.60

These current prices have been considered with respect to the average pricing for each community.

Absorption rates in the area generally demonstrate a range from 0.84 to 9.7 sales per month. The highest indicators demonstrate the current projects within the Windemere community, which have been well received. There have been 994 total sales in this area since these projects opened for sale in 2002, as well as 733 units which have closed escrow. This suggests that the number of projects offering homes in this community is not prohibitive at this time. Based on review of the indicators for the subject property, the proposed pricing is in line with the current competition. Some refinements have been identified based on the price structure established for Phase 2 of this project.

Absorption

Absorption for the individual projects is similar to the projections identified in the Market Overview section of this report. This is identified in the cash flow analysis for each individual cash flow.

Property Taxes

Property taxes for the cash flow models have been allocated based on the opinion of value for the finished lots for each individual phase. This is multiplied by the projected tax rate of 1.0456%. In addition, the existing and proposed levies and assessments have been included as a holding cost for this project. Accordingly, the anticipated assessments based on the classification of lots, including the proposed assessment for this project is as follows.

Classif.	Maximum SFD Special Tax	Existing Levies/ Spec. Asses.	Totals
SFD-1	$890.00	$2,776.61	$3,666.61
SFD-2	$1,130.00	$3,045.21	$4,175.21
SFD-3	$1,210.00	$3,253.88	$4,463.88
SFD-4	$1,370.00	$3,611.79	$4,981.79
SFD-5	$1,440.00	$3,850.47	$5,290.47
SFD-6	$1,710.00	$4,089.08	$5,799.08
SFD-8	$1,970.00	$5,759.53	$7,729.53

Construction Costs (Direct & Indirect)

For this model, the developer's identified costs are utilized. In addition, the total fees at building permit are added to the projections, as well as the site indirects, warranty, and the costs of funds. The last three costs are identified as a percentage of sales. They have been recalculated to the base price, exclusive of lot premiums.

Administration and Overhead

Typical administration and overhead expenses associated with marketing a residential tract range from approximately 1% to 3% of gross sales proceeds. This expense has been estimated at 3%, given the total number of units in the subject development, consistent with the projections by the developer.

Sales and Marketing Costs

Typical sales commissions and marketing expenses associated with marketing a residential tract range from approximately 3% to 6% of gross sales proceeds. This expense has been estimated at 6%, given the total number of units in the subject development, consistent with the projections by the developer.

Entrepreneurial Profit/Discount Rate

When a line item profit is deducted, a discount rate in the 9% to 13% range is considered reasonable for this type of investment. However, many builders do not include a separate line item for developer's profit, and instead analyze projects using a single (or blended) discount rate for the total investment. For this analysis, a blended profit/discount rate is identified for each development from 16% to 20%. In addition, the overall calculations of the total profit for each development are calculated as a test to the overall profitability for these projects.

The next sections identify the individual line-items for the individual projects.

SFD-1 – 3,150 SF Typical Lot Size / 1,800 SF Average Unit Size
100 Units (Hypothetical)

Revenues: The average revenues for this development have been identified at $614,213 or approximately $341.23 per square foot based on the December 2003 pro-forma. These revenues are predicated on the specifics identified for Village 39 (Courtyard Homes) as the typical lot size falls within the specifics for the SFD-1 lots. As compared to the overall revenues identified for the Phase 2 homes, the closest revenues similar to this typical size are the parameters for the SFD-3 lots ranging from $305 to $309 per square foot. However, these revenues are based on larger homes from 2,382 to 2,480 square feet, significantly larger than the average homes identified for this lot type at 1,800 square feet. The two competing projects offering similar sized homes, Wyngate and Villa Paseo are currently selling from approximately $350 to $355 per square foot. Based on review of these parameters, the average pricing has been identified at $350 per square foot. This equates to **$630,000** (1,800 sf * $350/sf) and has been utilized for this model. The cash flow model assumes appreciation at 4% per annum, or 1% per quarter.

Absorption: The average absorption rate for this project has been established at 7.0 sales per month. The total absorption projections for the competing projects were identified from 5.0 to 7.0 sales per month. This rate has been concluded toward the upper of the range and is reasonable for this project especially based on the smaller nature of these lots and the proposed price-points. Absorption is based on quarterly discounting.

Property Taxes/Levies/Assessments: The property taxes for this model have been identified at $6,803.41 per annum. This is based on the opinion of value for a finished lot at $300,000 * 1.0456% = $3,136.80. Assessments for this classification of lots equates to $3,666.61 per annum. As this model is allocated quarterly, property taxes have been established at $1,700 per unsold unit, per period (Rounded from $1,700.85).

Construction Costs: Calculations of the direct and indirect construction costs for this project are displayed below and have been calculated at $222,300 per unit. They are based on the developer's projections of hard costs and fees at building permit, as well as re-calculated costs for the indirect items.

Item	Total Costs
Direct Construction Costs	$136,800
Building Permits	$2,950
Fees	$30,557
Site Indirects – 3% ($630,000 * 3%)	$18,900
Warranty – 0.75% ($630,000 * 0.75%)	$4,725
Costs of Funds – 4.5% ($630,000 * 4.5%)	$28,350
Total Construction Costs	$222,282
Rounded	**$222,300**

Administration & Overhead / Sales & Marketing: These costs have been projected at 3% and 6% of gross sales. They are based on the revenues established above at $630,000 per unit.

Profit / Discount Rate: A blended entrepreneurial profit / discount rate range from 16% to 20% has been selected for this analysis. A 17% rate is believed reasonable for this project. The average price is attractive in the current market environment, which enhances the overall marketability of this project to more prospective home buyers. It produces an opinion of value of $30,010,000 (Rounded from $30,013,098) for the 100 hypothetical lots identified for this project.

Calculations of Static Profit: The calculations of the total profit identified for this project are displayed below.

Item	Total	Per Unit (Inc. Appreciation)
Project Revenues	$64,827,000	$648,270
Property Taxes	$493,544	$4,935
Construction Costs	$22,230,000	$222,300
Sales & Marketing	$3,889,620	$38,896
Administration & Overhead	$1,944,810	$19,448
Opinion of Land Value	$30,013,098	$300,013
Total Profit	**$6,255,928**	**$62,559**
% Of Gross Sales	9.7%	9.7%

The result of this cash flow model demonstrates an opinion of land value of $30,010,000 (Rounded from $30,013,098) or **$300,010** per finished lot. It provides a total profit near 9.7% of gross sales and represents 47.6% of the average sales price for this development. This cash flow model is identified on the following page.

CASH FLOW MODEL ANALYZING FINISHED LOT VALUE
SFD-1 CLASSIFICATION - 3,150 SF TYPICAL LOT SIZE

Quartely Discounting Item		Period 1	Period 2	Period 3	Period 4	Period 5	Period 6
Total Number of Units Developed		100	100	79	58	37	16
Total Number of Units Constructed		21	21	21	21	16	0
Number of Units sold		0	21	21	21	21	16
Number of Units Unsold		100	79	58	37	16	0
Average Selling Price		$630,000	$630,000	$630,000	$630,000	$630,000	$630,000
Total Project Revenue		$0	$13,230,000	$13,230,000	$13,230,000	$13,230,000	$10,080,000
Market Appreciation	1.000%	$0	$132,300	$264,600	$396,900	$529,200	$504,000
Total Revenue		**$0**	**$13,362,300**	**$13,494,600**	**$13,626,900**	**$13,759,200**	**$10,584,000**
Property Taxes	$ 1,700	$170,000	$134,300	$98,600	$62,900	$27,744	$0
Construction Costs (Direct & Indirect)	$ 222,300	$4,668,300	$4,668,300	$4,668,300	$4,668,300	$3,556,800	$0
Sales and Marketing	6.0%	$0	$801,738	$809,676	$817,614	$825,552	$635,040
Admin. and Overhead	3.0%	$0	$400,869	$404,838	$408,807	$412,776	$317,520
Total Expenses		**$4,838,300**	**$6,005,207**	**$5,981,414**	**$5,957,621**	**$4,822,872**	**$952,560**
Net Sales Revenue		**($4,838,300)**	**$7,357,093**	**$7,513,186**	**$7,669,279**	**$8,936,328**	**$9,631,440**
Project Sensitivity							
Discount Rate	16%	0.96154	0.92456	0.88900	0.85480	0.82193	0.79031
Net Cash Flow		($4,652,212)	$6,802,046	$6,679,195	$6,555,732	$7,345,010	$7,611,867
Discount Rate	17%	0.95923	0.92013	0.88262	0.84663	0.81212	0.77901
Net Cash Flow		($4,641,055)	$6,769,461	$6,631,258	$6,493,073	$7,257,362	$7,502,998
Discount Rate	18%	0.95694	0.91573	0.87630	0.83856	0.80245	0.76790
Net Cash Flow		($4,629,952)	$6,737,110	$6,583,779	$6,431,161	$7,170,966	$7,395,942
Discount Rate	19%	0.95465	0.91136	0.87004	0.83058	0.79292	0.75697
Net Cash Flow		($4,618,902)	$6,704,991	$6,536,753	$6,369,985	$7,085,801	$7,290,663
Discount Rate	20%	0.95238	0.90703	0.86384	0.82270	0.78353	0.74622
Net Cash Flow		($4,607,905)	$6,673,100	$6,490,173	$6,309,535	$7,001,847	$7,187,129

Discount Rate Utilized	Indicated Value	Rounded	Per Lot
16%	$30,341,638	$30,340,000	$303,400
17%	$30,013,098	$30,010,000	$300,100
18%	$29,689,006	$29,690,000	$296,900
19%	$29,369,290	$29,370,000	$293,700
20%	$29,053,878	$29,050,000	$290,500

SFD-2 – 3,825 SF Typical Lot Size
100 Units (Hypothetical)

Revenues: This lot classification is not identified in the Phase 4 distribution of lots and no information regarding the proposed construction or pro-forma was provided by the developer. However, the last project developed for this lot classification was in Phase 1 of this project with an average unit size of 2,251 square feet. With an average unit size of 1,800 square feet for the SFD-1 classification and 2,400 square feet for the SFD-3 classification, this seems to be a reasonable assumption. As such, an average unit size of 2,251 square feet has been utilized for this hypothetical project area. The next step is to identify the potential revenues. The specifics for this project generally are most similar to the SFD-3 project area. However, as identified in the prior section, current projects are current outperforming the developer's pro-forma. The following table summarizes current pricing in the market environment.

The price per square foot is the best indicator to compare to the competing projects as identified in this report. The following is a summary of the indicators as identified in the *Market Overview* section of this report.

Project	Typical Lot Size (SF)	Average Base Price	Average Unit Size (SF)	Average Absorption	Average Price / SF
8 / Wyngate	3,000 sf	$650,880	1,839	8.9	$355.02
3 / Villa Paseo	3,300 sf	$568,650	1,630	8.7	$349.49
SFD-2	***3,825 sf***		***2,251***		
4 / Coronado	4,200 sf	$720,994	2,485	7.0	$291.65
6 / Amicelli	4,200 sf	$700,830	2,315	4.9	$303.35
16 / St. Andrews	5,200 sf	$972,642	3,723	3.1	$261.74
9 / Belrose	5,500 sf	$943,650	3,409	9.7	$277.64
10 / Taramea	5,500 sf	$825,650	3,045	6.5	$271.38
21 / Riva	5,800 sf	$698,283	2,161	4.1	$324.20
22 / Rainsong	6,300 sf	$764,064	2,781	2.7	$277.69
5 / Monarch	6,500 sf	$776,150	2,525	8.4	$310.84
7 / Delamore	6,600 sf	$987,017	4,173	5.0	$237.48
13 / Turnberry	7,000 sf	$1,037,975	4,728	6.1	$219.81
2 / Gallery	9,500 sf	$1,003,900	3,562	8.4	$285.67
14 / Inverness	9,900 sf	$1,118,475	4,616	3.8	$242.75
1 / Summit Bridge	10,000 sf	$1,628,272	5,425	0.83	$307.24
15 / Pinnacle	10,890 sf	$1,425,975	5,035	5.0	$283.99

Another example of this is the current pricing identified for Phase 2 of this project, which reflects the most recent pricing in the Windemere project as models are nearing completion and the units are ready for sale. The following table illustrates this level of pricing.

Project / Developer	Village / Lot Size	Base Price Range	Unit Size Range	$/SF Range
Adventura Centex Homes	Village 20 4,050 sf	$710,000 to $745,000 $731,350 (Average)	2,259 to 2,490 sf 2,392 sf (Average)	$299.20 to $314.30 $305.45 (Average)
Luminaria Centex Homes	Village 23 5,500 sf	$844,000 to $886,000 $865,333 (Average)	3,314 to 3,746 sf 3,542 sf (Average)	$236.52 to $254.68 $242.69 (Average)
Waterford Greystone Homes	Village 25 6,000 sf	$977,950 to $1,007,950 $992,950 (Average)	3,833 to 4,164 sf 3,999 sf (Average)	$242.06 to $255.14 $248.60 (Average)
Brighton Greystone Homes	Village 21 4,000 sf	$757,950 to $777,950 $767,950 (Average)	2,422 to 2,538 sf 2,480 sf (Average)	$306.52 to $312.94 $309.73 (Average)
Savoy Brookfield Homes	Village 24 5,850 sf	$930,900 to $978,900 $956,233 (Average)	3,479 to 3,815 sf 3,666 sf (Average)	$256.59 to $267.58 $260.99 (Average)
Carlyle Brookfield Homes	Village 22 4,500 sf	$805,900 to $838,900 $824,567 (Average)	2,946 to 3,230 sf 3,120 sf (Average)	$259.72 to $273.56 $264.54 (Average)

Ranked in order of lot size, these projects demonstrate the following characteristics.

Housing Type	SFD-3 Village 20	SFD-3 Village 21	SFD-4 Village 22	SFD-5 Village 23	SFD-5 Village 24	SFD-6 Village 24
Typical Lot Size (sf)	4,050 sf	4,050 sf	4,500 sf	5,500 sf	5,850 sf	6,000 sf
Home Price	$731,350	$767,950	$824,567	$865,333	$956,233	$992,950
Average SF	2,392 sf	2,480 sf	3,120 sf	3,542 sf	3,666 sf	3,999 sf
Price Per SF (base)	$305.45	$309.73	$264.54	$242.69	$260.99	$248.60

These current prices have been considered with respect to the average pricing for each community. As compared to the overall revenues identified for the Phase 2 homes, the closest revenues similar to this typical size are the parameters for the SFD-3 lots ranging from $305 to $309 per square foot. However, these revenues are based on larger homes from 2,382 to 2,480 square feet, slightly larger than the average homes identified for this lot type at 2,251 square feet. The two competing projects offering similar sized homes, Wyngate and Villa Paseo are currently selling from approximately $350 to $355 per square foot, whereas the next two projects, Coronado and Amicelli , with homes near 2,400 square feet sold from $291 to $303 per square foot. Based on review of these parameters, the average pricing has been identified at $315 per square foot. This equates to $697,810 (2,251 sf * $310/sf) and has been rounded to **$697,800** for this model. The cash flow model assumes appreciation at 4% per annum, or 1% per quarter.

Absorption: The average absorption rate for this project has been established at 7.0 sales per month. The total absorption projections for the competing projects were identified from 5.0 to 7.0 sales per month. This rate has been concluded toward the upper of the range and is reasonable for this project especially based on the smaller nature of these lots and the proposed price-points. Absorption is based on quarterly discounting.

Property Taxes/Levies/Assessments: The property taxes for this model have been identified at $7,517.99 per annum. This is based on the opinion of value for a finished lot at $319,700 * 1.0456% = $3,342.78. Assessments for this classification of lots equates to $4,175.21 per annum. As this model is allocated quarterly, property taxes have been established at $1,880 per unsold unit, per period (Rounded from $1,879.49).

Construction Costs: Calculations of the direct and indirect construction costs for this project were not provided for this project, however based on the inclusion of costs identified for the remaining projects, have been calculated in a similar manner as the proposed revenues for this project. A summary of the direct costs, fees and permits for the remaining projects are identified below.

Project	Typical Lot Size (SF)	Typical Unit Size	Direct Costs/sf	Building Permits	Fees
SFD-1	3,150 sf	1,800	$76.00	$2,950	$30,557
SFD-2	**3,825 sf**	**2,251**	**N/A**	**N/A**	**N/A**
SFD-3	4,050 sf	2,400	$74.50	$3,811	$30,593
SFD-3	4,000 sf	2,500	$74.00	$4,264	$30,593
SFD-4	4,500 sf	2,900	$72.00	$5,203	$30,593
SFD-5	5,500 sf	3,400	$71.75	$6,107	$30,593
SFD-5	5,850 sf	3,600	$71.50	$6,250	$30,593
SFD-8	8,050 sf	4,000	$71.50	$6,454	$30,593

Based on the linear relationship identified above, the following has been identified for this project. Direct Costs - $75.00 per square foot, Building Permits - $1.60 per square foot, Fees - $30,593. Based on these assumptions, the total construction costs for this project are as follows.

Item	Total Costs
Direct Construction Costs ($75/sf)	$168,825
Building Permits ($1.60/sf)	$3,602
Fees	$30,593
Site Indirects – 3% ($697,800 * 3%)	$20,934
Warranty – 0.75% ($697,800 * 0.75%)	$5,234
Costs of Funds – 4.5% ($697,800 * 4.5%)	$31,401
Total Construction Costs	$260,589
Rounded	**$260,600**

Administration & Overhead / Sales & Marketing: These costs have been projected at 3% and 6% of gross sales. They are based on the revenues established above at $697,800 per unit.

Profit / Discount Rate: A blended entrepreneurial profit / discount rate range from 16% to 20% has been selected for this analysis. A 17% rate is believed reasonable for this project. The average price is attractive in the current market environment, which enhances the overall marketability of this project to more prospective home buyers. It produces an opinion of value of $31,970,000 (Rounded from $31,967,609) for the 100 hypothetical lots identified for this project.

Calculations of Static Profit: The calculations of the total profit identified for this project are displayed below.

Item	Total	Per Unit (Inc. Appreciation)
Project Revenues	$71,803,620	$718,036
Property Taxes	$545,802	$5,458
Construction Costs	$26,060,000	$260,600
Sales & Marketing	$4,308,217	$43,082
Administration & Overhead	$2,154,109	$21,541
Opinion of Land Value	$31,967,609	$319,716
Total Profit	**$6,767,883**	**$67,678**
% Of Gross Sales	**9.4%**	**9.4%**

The result of this cash flow model demonstrates an opinion of land value of $31,970,000 (Rounded from $31,967,609) or $319,700 per finished lot. It provides a total profit near 9.4% of gross sales and represents 45.8% of the average sales price for this development. This cash flow model is identified on the following page.

CASH FLOW MODEL ANALYZING FINISHED LOT VALUE
SFD-2 CLASSIFICATION - 3,825 SF TYPICAL LOT SIZE

Quartely Discounting Item		Period 1	Period 2	Period 3	Period 4	Period 5	Period 6
Total Number of Units Developed		100	100	79	58	37	16
Total Number of Units Constructed		21	21	21	21	16	0
Number of Units sold		0	21	21	21	21	16
Number of Units Unsold		100	79	58	37	16	0
Average Selling Price		$697,800	$697,800	$697,800	$697,800	$697,800	$697,800
Total Project Revenue		$0	$14,653,800	$14,653,800	$14,653,800	$14,653,800	$11,164,800
Market Appreciation	1.000%	$0	$146,538	$293,076	$439,614	$586,152	$558,240
Total Revenue		**$0**	**$14,800,338**	**$14,946,876**	**$15,093,414**	**$15,239,952**	**$11,723,040**
Property Taxes	$ 1,880	$188,000	$148,520	$109,040	$69,560	$30,682	$0
Construction Costs (Direct & Indirect)	$ 260,600	$5,472,600	$5,472,600	$5,472,600	$5,472,600	$4,169,600	$0
Sales and Marketing	6.0%	$0	$888,020	$896,813	$905,605	$914,397	$703,382
Admin. and Overhead	3.0%	$0	$444,010	$448,406	$452,802	$457,199	$351,691
Total Expenses		**$5,660,600**	**$6,953,150**	**$6,926,859**	**$6,900,567**	**$5,571,877**	**$1,055,074**
Net Sales Revenue		**($5,660,600)**	**$7,847,188**	**$8,020,017**	**$8,192,847**	**$9,668,075**	**$10,667,966**
Project Sensitivity							
Discount Rate	16%	0.96154	0.92456	0.88900	0.85480	0.82193	0.79031
Net Cash Flow		($5,442,885)	$7,255,166	$7,129,766	$7,003,280	$7,946,453	$8,431,049
Discount Rate	17%	0.95923	0.92013	0.88262	0.84663	0.81212	0.77901
Net Cash Flow		($5,429,832)	$7,220,411	$7,078,596	$6,936,343	$7,851,627	$8,310,464
Discount Rate	18%	0.95694	0.91573	0.87630	0.83856	0.80245	0.76790
Net Cash Flow		($5,416,842)	$7,185,905	$7,027,914	$6,870,205	$7,758,157	$8,191,886
Discount Rate	19%	0.95465	0.91136	0.87004	0.83058	0.79292	0.75697
Net Cash Flow		($5,403,914)	$7,151,645	$6,977,715	$6,804,852	$7,666,018	$8,075,277
Discount Rate	20%	0.95238	0.90703	0.86384	0.82270	0.78353	0.74622
Net Cash Flow		($5,391,048)	$7,117,630	$6,927,992	$6,740,275	$7,575,190	$7,960,601

Discount Rate Utilized	**Indicated Value**	**Rounded**	**Per Lot**
16%	$32,322,829	$32,320,000	$323,200
17%	$31,967,609	$31,970,000	$319,700
18%	$31,617,224	$31,620,000	$316,200
19%	$31,271,594	$31,270,000	$312,700
20%	$30,930,641	$30,930,000	$309,300

SFD-3 – 4,050 SF Typical Lot Size/ 2,400 SF Average Unit Size
100 Units (Hypothetical)

Revenues: The average revenues for this development have been identified at $692,217 or approximately $288.00 per square foot based on the December 2003 pro-forma. It is based on the pricing parameters identified for Village 32 in Phase 4. The price per square foot is the best indicator to compare to the competing projects as identified in this report. The following is a summary of the indicators as identified in the *Market Overview* section of this report.

Project	Typical Lot Size (SF)	Average Base Price	Average Unit Size (SF)	Average Absorption	Average Price / SF
8 / Wyngate	3,000 sf	$650,880	1,839	8.9	$355.02
3 / Villa Paseo	3,300 sf	$568,650	1,630	8.7	$349.49
SFD-3	***4,050 sf***		***2,400***		
4 / Coronado	4,200 sf	$720,994	2,485	7.0	$291.65
6 / Amicelli	4,200 sf	$700,830	2,315	4.9	$303.35
16 / St. Andrews	5,200 sf	$972,642	3,723	3.1	$261.74
9 / Belrose	5,500 sf	$943,650	3,409	9.7	$277.64
10 / Taramea	5,500 sf	$825,650	3,045	6.5	$271.38
21 / Riva	5,800 sf	$698,283	2,161	4.1	$324.20
22 / Rainsong	6,300 sf	$764,064	2,781	2.7	$277.69
5 / Monarch	6,500 sf	$776,150	2,525	8.4	$310.84
7 / Delamore	6,600 sf	$987,017	4,173	5.0	$237.48
13 / Tumberry	7,000 sf	$1,037,975	4,728	6.1	$219.81
2 / Gallery	9,500 sf	$1,003,900	3,562	8.4	$285.67
14 / Inverness	9,900 sf	$1,118,475	4,616	3.8	$242.75
1 / Summit Bridge	10,000 sf	$1,628,272	5,425	0.83	$307.24
15 / Pinnacle	10,890 sf	$1,425,975	5,035	5.0	$283.99

Another example of this is the current pricing identified for Phase 2 of this project, which reflects the most recent pricing in the Windemere project as models are nearing completion and the units are ready for sale. The following table illustrates this level of pricing.

Project Developer	Village Lot Size	Base Price Range	Unit Size Range	$/SF Range
Adventura Centex Homes	Village 20 4,050 sf	$710,000 to $745,000 **$731,350 (Average)**	2,259 to 2,490 sf **2,392 sf (Average)**	$299.20 to $314.30 **$305.45 (Average)**
Luminaria Centex Homes	Village 23 5,500 sf	$844,000 to $886,000 **$865,333 (Average)**	3,314 to 3,746 sf **3,542 sf (Average)**	$236.52 to $254.68 **$242.69 (Average)**
Waterford Greystone Homes	Village 25 6,000 sf	$977,950 to $1,007,950 **$992,950 (Average)**	3,833 to 4,164 sf **3,999 sf (Average)**	$242.06 to $255.14 **$248.60 (Average)**
Brighton Greystone Homes	Village 21 4,000 sf	$757,950 to $777,950 **$767,950 (Average)**	2,422 to 2,538 sf **2,480 sf (Average)**	$306.52 to $312.94 **$309.73 (Average)**
Savoy Brookfield Homes	Village 24 5,850 sf	$930,900 to $978,900 **$956,233 (Average)**	3,479 to 3,815 sf **3,666 sf (Average)**	$256.59 to $267.58 **$260.99 (Average)**
Carlyle Brookfield Homes	Village 22 4,500 sf	$805,900 to $838,900 **$824,567 (Average)**	2,946 to 3,230 sf **3,120 sf (Average)**	$259.72 to $273.56 **$264.54 (Average)**

Ranked in order of lot size, these projects demonstrate the following characteristics.

Housing Type	SFD-3 Village 20	SFD-3 Village 21	SFD-4 Village 22	SFD-5 Village 23	SFD-5 Village 24	SFD-6 Village 24
Typical Lot Size (sf)	4,050 sf	4,050 sf	4,500 sf	5,500 sf	5,850 sf	6,000 sf
Home Price	$731,350	$767,950	$824,567	$865,333	$956,233	$992,950
Average SF	2,392 sf	2,480 sf	3,120 sf	3,542 sf	3,666 sf	3,999 sf
Price Per SF (base)	$305.45	$309.73	$264.54	$242.69	$260.99	$248.60

These current prices have been considered with respect to the average pricing for each community. As compared to the overall revenues identified for the Phase 2 homes, the SFD-3 lots ranging from $305 to $309 per square foot. However, these revenues are based on larger homes from 2,382 to 2,480 square feet, slightly larger than the average homes identified for this lot type at 2,251 square feet. The two competing projects offering similar sized homes, Wyngate and Villa Paseo are currently selling from approximately $350 to $355 per square foot, whereas the next two projects, Coronado and Amicelli, with homes near 2,400 square feet sold from $291 to $303 per square foot. Based on review of these parameters, the average pricing has been identified at $305 per square foot. This equates to $732,000 (2,400 sf * $305/sf) and has been utilized for this model. The cash flow model assumes appreciation at 4% per annum, or 1% per quarter.

Absorption: The average absorption rate for this project has been established at 6.0 sales per month. The total absorption projections for the attached projects were identified from 4.0 to 7.0 sales per month. This rate is reasonable for this project. Absorption is based on quarterly discounting.

Property Taxes/Levies/Assessments: The property taxes for this model have been identified at $7,926.91 per annum. This is based on the opinion of value for a finished lot at $331,200 * 1.0456% = $3,463.03. Assessments for this classification of lots equates to $4,463.88 per annum. As this model is allocated quarterly, property taxes have been established at $1,980 per unsold unit, per period (Rounded from $1,981.73).

Construction Costs: Calculations of the direct and indirect construction costs for this project are displayed below and have been calculated at $273,600 per unit. They are based on the developer's projections of hard costs and fees at building permit, as well as re-calculated costs for the indirect items.

Item	Total Costs
Direct Construction Costs	$178,800
Building Permits	$3,811
Fees	$30,593
Site Indirects – 3% ($732,000 * 3%)	$21,960
Warranty – 0.75% ($732,000 * 0.75%)	$5,490
Costs of Funds – 4.5% ($732,000 * 4.5%)	$32,940
Total Construction Costs	$273,594
Rounded	**$273,600**

Administration & Overhead / Sales & Marketing: These costs have been projected at 3% and 6% of gross sales. They are based on the revised revenues established above at $732,000 per unit.

Profit / Discount Rate: A blended entrepreneurial profit / discount rate range from 16% to 20% has been selected for this analysis. A 17% rate is believed reasonable for this project as the average price is attractive in the current market environment, which enhances the overall marketability of this project to more prospective home buyers. It produces an opinion of value of $33,120,000 for the 100 hypothetical lots identified for this project.

Calculations of Static Profit: The calculations of the total profit identified for this project are displayed below.

Item	Total	Per Unit (Inc. Appreciation)
Project Revenues	$75,615,600	$756,156
Property Taxes	$654,905	$6,549
Construction Costs	$27,360,000	$273,600
Sales & Marketing	$4,536,936	$45,369
Administration & Overhead	$2,268,468	$22,685
Opinion of Land Value	$33,111,143	$331,111
Total Profit	**$7,684,149**	**$76,841**
% Of Gross Sales	**10.2%**	**10.2%**

The result of this cash flow model demonstrates an opinion of land value of $33,120,000 or $331,200 per finished lot. It provides a total profit near 10.2% of gross sales and represents 45.2% of the average sales price for this development. This cash flow model is identified on the following page.

CASH FLOW MODEL ANALYZING FINISHED LOT VALUE
SFD-3 CLASSIFICATION - 4,050 SF TYPICAL LOT SIZE

Quartely Discounting Item		Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7
Total Number of Units Developed		100	100	82	64	46	28	10
Total Number of Units Constructed		18	18	18	18	18	10	0
Number of Units sold		0	18	18	18	18	18	10
Number of Units Unsold		100	82	64	46	28	10	0
Average Selling Price		$732,000	$732,000	$732,000	$732,000	$732,000	$732,000	$732,000
Total Project Revenue		$0	$13,176,000	$13,176,000	$13,176,000	$13,176,000	$13,176,000	$7,320,000
Market Appreciation	1.000%	$0	$131,760	$263,520	$395,280	$527,040	$658,800	$439,200
Total Revenue		**$0**	**$13,307,760**	**$13,439,520**	**$13,571,280**	**$13,703,040**	**$13,834,800**	**$7,759,200**
Property Taxes	$ 1,980	$198,000	$162,360	$126,720	$91,080	$56,549	$20,196	$0
Construction Costs (Direct & Indirect)	$ 273,600	$4,924,800	$4,924,800	$4,924,800	$4,924,800	$4,924,800	$2,736,000	$0
Sales and Marketing	6.0%	$0	$798,466	$806,371	$814,277	$822,182	$830,088	$465,552
Admin. and Overhead	3.0%	$0	$399,233	$403,186	$407,138	$411,091	$415,044	$232,776
Total Expenses		**$5,122,800**	**$6,284,858**	**$6,261,077**	**$6,237,295**	**$6,214,622**	**$4,001,328**	**$698,328**
Net Sales Revenue		**($5,122,800)**	**$7,022,902**	**$7,178,443**	**$7,333,985**	**$7,488,418**	**$9,833,472**	**$7,060,872**
Project Sensitivity								
Discount Rate	16%	0.96154	0.92456	0.88900	0.85480	0.82193	0.79031	0.75992
Net Cash Flow		($4,925,769)	$6,493,067	$6,381,610	$6,269,121	$6,154,933	$7,771,536	$5,365,682
Discount Rate	17%	0.95923	0.92013	0.88262	0.84663	0.81212	0.77901	0.74725
Net Cash Flow		($4,913,957)	$6,461,963	$6,335,809	$6,209,201	$6,081,486	$7,660,383	$5,276,256
Discount Rate	18%	0.95694	0.91573	0.87630	0.83856	0.80245	0.76790	0.73483
Net Cash Flow		($4,902,201)	$6,431,081	$6,290,445	$6,149,996	$6,009,089	$7,551,081	$5,188,530
Discount Rate	19%	0.95465	0.91136	0.87004	0.83058	0.79292	0.75697	0.72264
Net Cash Flow		($4,890,501)	$6,400,421	$6,245,514	$6,091,495	$5,937,723	$7,443,594	$5,102,466
Discount Rate	20%	0.95238	0.90703	0.86384	0.82270	0.78353	0.74622	0.71068
Net Cash Flow		($4,878,857)	$6,369,979	$6,201,009	$6,033,687	$5,867,371	$7,337,888	$5,018,030

Discount Rate Utilized	**Indicated Value**	**Rounded**	**Per Lot**
16%	$33,510,180	$33,510,000	$335,100
17%	$33,111,143	$33,110,000	$331,100
18%	$32,718,021	$32,720,000	$327,200
19%	$32,330,711	$32,330,000	$323,300
20%	$31,949,107	$31,950,000	$319,500

SFD-4 – 4,500 SF Typical Lot Size/ 2,900 SF Average Unit Size
100 Units (Hypothetical)

Revenues: The average revenues for this development have been identified at $779,286 or approximately $269.00 per square foot according to the December 2003 pro-forma. It is based on the pricing parameters identified for Village 34 in Phase 4. The price per square foot is the best indicator to compare to the competing projects as identified in this report. The following is a summary of the indicators as identified in the *Market Overview* section of this report.

Project	Typical Lot Size (SF)	Average Base Price	Average Unit Size (SF)	Average Absorption	Average Price / SF
8 / Wyngate	3,000 sf	$650,880	1,839	8.9	$355.02
3 / Villa Pasco	3,300 sf	$568,650	1,630	8.7	$349.49
4 / Coronado	4,200 sf	$720,994	2,485	7.0	$291.65
6 / Amicelli	4,200 sf	$700,830	2,315	4.9	$303.35
SFD-4	***4,500 sf***		***2,900***		
16 / St. Andrews	5,200 sf	$972,642	3,723	3.1	$261.74
9 / Belrose	5,500 sf	$943,650	3,409	9.7	$277.64
10 / Taramea	5,500 sf	$825,650	3,045	6.5	$271.38
21 / Riva	5,800 sf	$698,283	2,161	4.1	$324.20
22 / Rainsong	6,300 sf	$764,064	2,781	2.7	$277.69
5 / Monarch	6,500 sf	$776,150	2,525	8.4	$310.84
7 / Delamore	6,600 sf	$987,017	4,173	5.0	$237.48
13 / Turnberry	7,000 sf	$1,037,975	4,728	6.1	$219.81
2 / Gallery	9,500 sf	$1,003,900	3,562	8.4	$285.67
14 / Inverness	9,900 sf	$1,118,475	4,616	3.8	$242.75
1 / Summit Bridge	10,000 sf	$1,628,272	5,425	0.83	$307.24
15 / Pinnacle	10,890 sf	$1,425,975	5,035	5.0	$283.99

Another example of this is the current pricing identified for Phase 2 of this project, which reflects the most recent pricing in the Windemere project as models are nearing completion and the units are ready for sale. The following table illustrates this level of pricing.

Project Developer	Village Lot Size	Base Price Range	Unit Size Range	$/SF Range
Adventura Centex Homes	Village 20 4,050 sf	$710,000 to $745,000 $731,350 (Average)	2,259 to 2,490 sf 2,392 sf (Average)	$299.20 to $314.30 $305.45 (Average)
Luminaria Centex Homes	Village 23 5,500 sf	$844,000 to $886,000 $865,333 (Average)	3,314 to 3,746 sf 3,542 sf (Average)	$236.52 to $254.68 $242.69 (Average)
Waterford Greystone Homes	Village 25 6,000 sf	$977,950 to $1,007,950 $992,950 (Average)	3,833 to 4,164 sf 3,999 sf (Average)	$242.06 to $255.14 $248.60 (Average)
Brighton Greystone Homes	Village 21 4,000 sf	$757,950 to $777,950 $767,950 (Average)	2,422 to 2,538 sf 2,480 sf (Average)	$306.52 to $312.94 $309.73 (Average)
Savoy Brookfield Homes	Village 24 5,850 sf	$930,900 to $978,900 $956,233 (Average)	3,479 to 3,815 sf 3,666 sf (Average)	$256.59 to $267.58 $260.99 (Average)
Carlyle Brookfield Homes	Village 22 4,500 sf	$805,900 to $838,900 $824,567 (Average)	2,946 to 3,230 sf 3,120 sf (Average)	$259.72 to $273.56 $264.54 (Average)

Ranked in order of lot size, these projects demonstrate the following characteristics.

Housing Type	SFD-3 Village 20	SFD-3 Village 21	SFD-4 Village 22	SFD-5 Village 23	SFD-5 Village 24	SFD-6 Village 24
Typical Lot Size (sf)	4,050 sf	4,050 sf	4,500 sf	5,500 sf	5,850 sf	6,000 sf
Home Price	$731,350	$767,950	$824,567	$865,333	$956,233	$992,950
Average SF	2,392 sf	2,480 sf	3,120 sf	3,542 sf	3,666 sf	3,999 sf
Price Per SF (base)	$305.45	$309.73	$264.54	$242.69	$260.99	$248.60

These current prices have been considered with respect to the average pricing for each community. As compared to the overall revenues identified for the Phase 2 homes, the SFD-4 lots are $264 per square foot. However, this is based on larger homes at 3,120 square feet, slightly larger than the average homes identified for this lot type at 2,900 square feet. The two competing projects offering similar sized homes, Coronado and Amicelli, with homes near 2,400 square feet sold from $291 to $303 per square foot. Based on review of these parameters, the average pricing has been identified at $275 per square foot. This equates to $797,500 (2,900 sf * $275/sf) and has been utilized for this model. The cash flow model assumes appreciation at 4% per annum, or 1% per quarter.

Absorption: The average absorption rate for this project has been established at 6.0 sales per month. The total absorption projections for the competing projects were identified from 5.0 to 7.0 sales per month. This rate and is reasonable for this project. Absorption is based on quarterly discounting.

Property Taxes/Levies/Assessments The property taxes for this model have been identified at $8,597.47 per annum. This is based on the opinion of value for a finished lot at $345,800 * 1.0456% = $3,615.68. Assessments for this classification of lots equates to $4,981.79 per annum. As this model is allocated quarterly, property taxes have been established at $2,150 per unsold unit, per period (Rounded from $2,149.37).

Construction Costs: Calculations of the direct and indirect construction costs for this project are displayed below and have been calculated at $310,400 per unit. They are based on the developer's projections of hard costs and fees at building permit, as well as re-calculated costs for the indirect items.

Item	Total Costs
Direct Construction Costs	$208,800
Building Permits	$5,203
Fees	$30,593
Site Indirects – 3% ($797,500 * 3%)	$23,925
Warranty – 0.75% ($797,500 * 0.75%)	$5,981
Costs of Funds – 4.5% ($797,500 * 4.5%)	$35,888
Total Construction Costs	$310,390
Rounded	**$310,400**

Administration & Overhead / Sales & Marketing: These costs have been projected at 3% and 6% of gross sales. They are based on the revised revenues established above at $797,500 per unit.

Profit / Discount Rate: A blended entrepreneurial profit / discount rate range from 16% to 20% has been selected for this analysis. An 18% rate is believed reasonable for this project. This is above the other smaller lot projects but based on higher revenues there is added risk. It produces an opinion of value of $34,580,000 (Rounded from $34,579,827) for the 100 hypothetical lots identified for this project.

Calculations of Static Profit: The calculations of the total profit identified for this project are displayed below.

Item	Total	Per Unit (Inc. Appreciation)
Project Revenues	$82,381,750	$823,817
Property Taxes	$711,134	$7,112
Construction Costs	$31,040,000	$310,400
Sales & Marketing	$4,942,905	$49,429
Administration & Overhead	$2,471,453	$24,715
Opinion of Land Value	$34,579,827	$345,798
Total Profit	**$8,636,431**	**$86,364**
% Of Gross Sales	**10.5%**	**10.5%**

The result of this cash flow model demonstrates an opinion of land value of $34,580,000 or $345,800 per finished lot. It provides a total profit near 10.5% of gross sales and represents 42.0% of the average sales price for this development. This cash flow model is identified on the following page.

CASH FLOW MODEL ANALYZING FINISHED LOT VALUE
SFD-4 CLASSIFICATION - 4,500 SF TYPICAL LOT SIZE

Quartely Discounting Item		Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7
Total Number of Units Developed		100	100	82	64	46	28	10
Total Number of Units Constructed		18	18	18	18	18	10	0
Number of Units sold		0	18	18	18	18	18	10
Number of Units Unsold		100	82	64	46	28	10	0
Average Selling Price		$797,500	$797,500	$797,500	$797,500	$797,500	$797,500	$797,500
Total Project Revenue		$0	$14,355,000	$14,355,000	$14,355,000	$14,355,000	$14,355,000	$7,975,000
Market Appreciation	1.000%	$0	$143,550	$287,100	$430,650	$574,200	$717,750	$478,500
Total Revenue		**$0**	**$14,498,550**	**$14,642,100**	**$14,785,650**	**$14,929,200**	**$15,072,750**	**$8,453,500**
Property Taxes	$ 2,150	$215,000	$176,300	$137,600	$98,900	$61,404	$21,930	$0
Construction Costs (Direct & Indirect)	$ 310,400	$5,587,200	$5,587,200	$5,587,200	$5,587,200	$5,587,200	$3,104,000	$0
Sales and Marketing	6.0%	$0	$869,913	$878,526	$887,139	$895,752	$904,365	$507,210
Admin. and Overhead	3.0%	$0	$434,957	$439,263	$443,570	$447,876	$452,183	$253,605
Total Expenses		**$5,802,200**	**$7,068,370**	**$7,042,589**	**$7,016,809**	**$6,992,232**	**$4,482,478**	**$760,815**
Net Sales Revenue		**($5,802,200)**	**$7,430,181**	**$7,599,511**	**$7,768,842**	**$7,936,968**	**$10,590,273**	**$7,692,685**
Project Sensitivity								
Discount Rate	16%	0.96154	0.92456	0.88900	0.85480	0.82193	0.79031	0.75992
Net Cash Flow		($5,579,038)	$6,869,620	$6,755,938	$6,640,838	$6,523,609	$8,369,646	$5,845,808
Discount Rate	17%	0.95923	0.92013	0.88262	0.84663	0.81212	0.77901	0.74725
Net Cash Flow		($5,565,659)	$6,836,711	$6,707,450	$6,577,366	$6,445,763	$8,249,939	$5,748,380
Discount Rate	18%	0.95694	0.91573	0.87630	0.83856	0.80245	0.76790	0.73483
Net Cash Flow		($5,552,344)	$6,804,039	$6,659,426	$6,514,650	$6,369,028	$8,132,225	$5,652,804
Discount Rate	19%	0.95465	0.91136	0.87004	0.83058	0.79292	0.75697	0.72264
Net Cash Flow		($5,539,093)	$6,771,600	$6,611,859	$6,452,680	$6,293,387	$8,016,466	$5,559,039
Discount Rate	20%	0.95238	0.90703	0.86384	0.82270	0.78353	0.74622	0.71068
Net Cash Flow		($5,525,905)	$6,739,393	$6,564,743	$6,391,445	$6,218,822	$7,902,624	$5,467,048

Discount Rate Utilized	Indicated Value	Rounded	Per Lot
16%	$35,426,421	$35,430,000	$354,300
17%	$34,999,950	$35,000,000	$350,000
18%	$34,579,827	$34,580,000	$345,800
19%	$34,165,938	$34,170,000	$341,700
20%	$33,758,171	$33,760,000	$337,600

SFD-5 – 5,500 SF Typical Lot Size/ 3,600 SF Average Unit Size
100 Units (Hypothetical)

Revenues: The average revenues for this development have been identified at $863,055 or approximately $240.00 per square foot based on the December 2003 pro-forma. It is based on the pricing parameters identified for Village 36 in Phase 4. The price per square foot is the best indicator to compare to the competing projects as identified in this report. The following is a summary of the indicators as identified in the *Market Overview* section of this report.

Project	Typical Lot Size (SF)	Average Base Price	Average Unit Size (SF)	Average Absorption	Average Price / SF
8 / Wyngate	3,000 sf	$650,880	1,839	8.9	$355.02
3 / Villa Paseo	3,300 sf	$568,650	1,630	8.7	$349.49
4 / Coronado	4,200 sf	$720,994	2,485	7.0	$291.65
6 / Amicelli	4,200 sf	$700,830	2,315	4.9	$303.35
16 / St. Andrews	5,200 sf	$972,642	3,723	3.1	$261.74
9 / Belrose	5,500 sf	$943,650	3,409	9.7	$277.64
10 / Taramea	5,500 sf	$825,650	3,045	6.5	$271.38
SFD-5	*5,500 sf*		*3,600*		
21 / Riva	5,800 sf	$698,283	2,161	4.1	$324.20
22 / Rainsong	6,300 sf	$764,064	2,781	2.7	$277.69
5 / Monarch	6,500 sf	$776,150	2,525	8.4	$310.84
7 / Delamore	6,600 sf	$987,017	4,173	5.0	$237.48
13 / Turnberry	7,000 sf	$1,037,975	4,728	6.1	$219.81
2 / Gallery	9,500 sf	$1,003,900	3,562	8.4	$285.67
14 / Inverness	9,900 sf	$1,118,475	4,616	3.8	$242.75
1 / Summit Bridge	10,000 sf	$1,628,272	5,425	0.83	$307.24
15 / Pinnacle	10,890 sf	$1,425,975	5,035	5.0	$283.99

Another example of this is the current pricing identified for Phase 2 of this project, which reflects the most recent pricing in the Windemere project as models are nearing completion and the units are ready for sale. The following table illustrates this level of pricing.

Project Developer	Village Lot Size	Base Price Range	Unit Size Range	$/SF Range
Adventura Centex Homes	Village 20 4,050 sf	$710,000 to $745,000 $731,350 (Average)	2,259 to 2,490 sf 2,392 sf (Average)	$299.20 to $314.30 $305.45 (Average)
Luminaria Centex Homes	Village 23 5,500 sf	$844,000 to $886,000 $865,333 (Average)	3,314 to 3,746 sf 3,542 sf (Average)	$236.52 to $254.68 $242.69 (Average)
Waterford Greystone Homes	Village 25 6,000 sf	$977,950 to $1,007,950 $992,950 (Average)	3,833 to 4,164 sf 3,999 sf (Average)	$242.06 to $255.14 $248.60 (Average)
Brighton Greystone Homes	Village 21 4,000 sf	$757,950 to $777,950 $767,950 (Average)	2,422 to 2,538 sf 2,480 sf (Average)	$306.52 to $312.94 $309.73 (Average)
Savoy Brookfield Homes	Village 24 5,850 sf	$930,900 to $978,900 $956,233 (Average)	3,479 to 3,815 sf 3,666 sf (Average)	$256.59 to $267.58 $260.99 (Average)
Carlyle Brookfield Homes	Village 22 4,500 sf	$805,900 to $838,900 $824,567 (Average)	2,946 to 3,230 sf 3,120 sf (Average)	$259.72 to $273.56 $264.54 (Average)

Ranked in order of lot size, these projects demonstrate the following characteristics.

Housing Type	SFD-3 Village 20	SFD-3 Village 21	SFD-4 Village 22	SFD-5 Village 23	SFD-5 Village 24	SFD-6 Village 24
Typical Lot Size (sf)	4,050 sf	4,050 sf	4,500 sf	5,500 sf	5,850 sf	6,000 sf
Home Price	$731,350	$767,950	$824,567	$865,333	$956,233	$992,950
Average SF	2,392 sf	2,480 sf	3,120 sf	3,542 sf	3,666 sf	3,999 sf
Price Per SF (base)	$305.45	$309.73	$264.54	$242.69	$260.99	$248.60

These current prices have been considered with respect to the average pricing for each community. As compared to the overall revenues identified for the Phase 2 homes, the SFD-5 lots range from approximately $242 to $261 per square foot for homes bracketing the average unit size. The two competing projects offering similar sized homes, Taramera and Belrose with homes near 3,723 and 3,409 square feet, respectively. These homes have sold from $271 and $278 per square foot. Based on review of these parameters, the average pricing has been identified at $250 per square foot, near the average price for the two developments in Phase 2. This equates to $900,000 (3,600 sf * $250/sf) and has been utilized for this model. The cash flow model assumes appreciation at 4% per annum, or 1% per quarter.

Absorption: The average absorption rate for this project has been established at 6.0 sales per month. The total absorption projections for the competing projects were identified from 5.0 to 7.0 sales per month. This rate is reasonable for this project. Absorption is based on quarterly discounting.

Property Taxes/Levies/Assessments: The property taxes for this model have been identified at $9,209.37 per annum. This is based on the opinion of value for a finished lot at $374,800 * 1.0456% = $3,918.90. Assessments for this classification of lots equates to $5,290.47 per annum. As this model is allocated quarterly, property taxes have been established at $2,300 per unsold unit, per period (Rounded from $2,302.34).

Construction Costs: Calculations of the direct and indirect construction costs for this project are displayed below and have been calculated at $368,500 per unit. They are based on the developer's projections of hard costs and fees at building permit, as well as re-calculated costs for the indirect items.

Item	Total Costs
Direct Construction Costs	$257,400
Building Permits	$6,250
Fees	$30,593
Site Indirects – 3% ($900,000 * 3%)	$27,000
Warranty – 0.75% ($900,000 * 0.75%)	$6,750
Costs of Funds – 4.5% ($900,000 * 4.5%)	$40,500
Total Construction Costs	$368,493
Rounded	**$368,500**

Administration & Overhead / Sales & Marketing: These costs have been projected at 3% and 6% of gross sales. They are based on the revised revenues established above at $936,000 per unit.

Profit / Discount Rate: A blended entrepreneurial profit / discount rate range from 16% to 20% has been selected for this analysis. An 18% rate is believed reasonable for this project. This is above the other smaller lot projects but based on higher revenues there is added risk. It produces an opinion of value of $37,480,000 (Rounded from $37,483,300) for the 100 hypothetical lots identified for this project.

Calculations of Static Profit: The calculations of the total profit identified for this project are displayed below.

Item	Total	Per Unit (Inc. Appreciation)
Project Revenues	$92,970,000	$929,700
Property Taxes	$760,748	$7,607
Construction Costs	$36,850,000	$368,500
Sales & Marketing	$5,578,200	$55,782
Administration & Overhead	$2,789,100	$27,891
Opinion of Land Value	$37,483,300	$374,833
Total Profit	**$9,508,652**	**$95,086**
% Of Gross Sales	**10.2%**	**10.2%**

The result of this cash flow model demonstrates an opinion of land value of $37,480,000 or $374,800 per finished lot. It provides a total profit near 10.2% of gross sales and represents 40.3% of the average sales price for this development. This cash flow model is identified on the following page.

CASH FLOW MODEL ANALYZING FINISHED LOT VALUE
SFD-5 CLASSIFICATION - 5,500 SF TYPICAL LOT SIZE

Quartely Discounting Item		Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7
Total Number of Units Developed		100	100	82	64	46	28	10
Total Number of Units Constructed		18	18	18	18	18	10	0
Number of Units sold		0	18	18	18	18	18	10
Number of Units Unsold		100	82	64	46	28	10	0
Average Selling Price		$900,000	$900,000	$900,000	$900,000	$900,000	$900,000	$900,000
Total Project Revenue		$0	$16,200,000	$16,200,000	$16,200,000	$16,200,000	$16,200,000	$9,000,000
Market Appreciation	1.000%	$0	$162,000	$324,000	$486,000	$648,000	$810,000	$540,000
Total Revenue		**$0**	**$16,362,000**	**$16,524,000**	**$16,686,000**	**$16,848,000**	**$17,010,000**	**$9,540,000**
Property Taxes	$ 2,300	$230,000	$188,600	$147,200	$105,800	$65,688	$23,460	$0
Construction Costs (Direct & Indirect)	$ 368,500	$6,633,000	$6,633,000	$6,633,000	$6,633,000	$6,633,000	$3,685,000	$0
Sales and Marketing	6.0%	$0	$981,720	$991,440	$1,001,160	$1,010,880	$1,020,600	$572,400
Admin. and Overhead	3.0%	$0	$490,860	$495,720	$500,580	$505,440	$510,300	$286,200
Total Expenses		**$6,863,000**	**$8,294,180**	**$8,267,360**	**$8,240,540**	**$8,215,008**	**$5,239,360**	**$858,600**
Net Sales Revenue		**($6,863,000)**	**$8,067,820**	**$8,256,640**	**$8,445,460**	**$8,632,992**	**$11,770,640**	**$8,681,400**
Project Sensitivity								
Discount Rate	16%	0.96154	0.92456	0.88900	0.85480	0.82193	0.79031	0.75992
Net Cash Flow		($6,599,038)	$7,459,153	$7,340,123	$7,219,215	$7,095,690	$9,302,508	$6,597,151
Discount Rate	17%	0.95923	0.92013	0.88262	0.84663	0.81212	0.77901	0.74725
Net Cash Flow		($6,583,213)	$7,423,421	$7,287,443	$7,150,214	$7,011,017	$9,169,459	$6,487,201
Discount Rate	18%	0.95694	0.91573	0.87630	0.83856	0.80245	0.76790	0.73483
Net Cash Flow		($6,567,464)	$7,387,944	$7,235,266	$7,082,036	$6,927,553	$9,038,624	$6,379,340
Discount Rate	19%	0.95465	0.91136	0.87004	0.83058	0.79292	0.75697	0.72264
Net Cash Flow		($6,551,790)	$7,352,722	$7,183,585	$7,014,669	$6,845,279	$8,909,963	$6,273,524
Discount Rate	20%	0.95238	0.90703	0.86384	0.82270	0.78353	0.74622	0.71068
Net Cash Flow		($6,536,190)	$7,317,751	$7,132,396	$6,948,101	$6,764,175	$8,783,433	$6,169,709

Discount Rate Utilized	Indicated Value	Rounded	Per Lot
16%	$38,414,801	$38,410,000	$384,100
17%	$37,945,540	$37,950,000	$379,500
18%	$37,483,300	$37,480,000	$374,800
19%	$37,027,952	$37,030,000	$370,300
20%	$36,579,374	$36,580,000	$365,800

SFD-6 – 6,500 SF Typical Lot Size
100 Units (Hypothetical)

Revenues: This lot classification is not identified in the Phase 4 distribution of lots and no information regarding the proposed construction or pro-forma was provided by the developer. However, the last project developed for this lot classification was in Phase 4 of this project with an average unit size of 3,860 square feet. With an average unit size of 3,600 square feet for the SFD-5 classification and 4,000 square feet for the SFD-8 classification, this seems to be a reasonable assumption. As such, an average unit size of 3,860 square feet has been utilized for this hypothetical project area. The next step is to identify the potential revenues. Since the proposed pricing for the remaining projects is reasonable with market parameters, the proposed pricing for this project has been identified in line with the other projects. The following table summarizes the overall pricing for these projects.

The price per square foot is the best indicator to compare to the competing projects as identified in this report. The following is a summary of the indicators as identified in the *Market Overview* section of this report.

Project	Typical Lot Size (SF)	Average Base Price	Average Unit Size (SF)	Average Absorption	Average Price / SF
8 / Wyngate	3,000 sf	$650,880	1,839	8.9	$355.02
3 / Villa Paseo	3,300 sf	$568,650	1,630	8.7	$349.49
4 / Coronado	4,200 sf	$720,994	2,485	7.0	$291.65
6 / Amicelli	4,200 sf	$700,830	2,315	4.9	$303.35
16 / St. Andrews	5,200 sf	$972,642	3,723	3.1	$261.74
9 / Belrose	5,500 sf	$943,650	3,409	9.7	$277.64
10 / Taramea	5,500 sf	$825,650	3,045	6.5	$271.38
21 / Riva	5,800 sf	$698,283	2,161	4.1	$324.20
22 / Rainsong	6,300 sf	$764,064	2,781	2.7	$277.69
SFD-6	***6,500 sf***		***3,861***		
5 / Monarch	6,500 sf	$776,150	2,525	8.4	$310.84
7 / Delamore	6,600 sf	$987,017	4,173	5.0	$237.48
13 / Turnberry	7,000 sf	$1,037,975	4,728	6.1	$219.81
2 / Gallery	9,500 sf	$1,003,900	3,562	8.4	$285.67
14 / Inverness	9,900 sf	$1,118,475	4,616	3.8	$242.75
1 / Summit Bridge	10,000 sf	$1,628,272	5,425	0.83	$307.24
15 / Pinnacle	10,890 sf	$1,425,975	5,035	5.0	$283.99

Another example of this is the current pricing identified for Phase 2 of this project, which reflects the most recent pricing in the Windemere project as models are nearing completion and the units are ready for sale. The following table illustrates this level of pricing.

Project Developer	Village Lot Size	Base Price Range	Unit Size Range	$/SF Range
Adventura Centex Homes	Village 20 4,050 sf	$710,000 to $745,000 **$731,350 (Average)**	2,259 to 2,490 sf **2,392 sf (Average)**	$299.20 to $314.30 **$305.45 (Average)**
Luminaria Centex Homes	Village 23 5,500 sf	$844,000 to $886,000 **$865,333 (Average)**	3,314 to 3,746 sf **3,542 sf (Average)**	$236.52 to $254.68 **$242.69 (Average)**
Waterford Greystone Homes	Village 25 6,000 sf	$977,950 to $1,007,950 **$992,950 (Average)**	3,833 to 4,164 sf **3,999 sf (Average)**	$242.06 to $255.14 **$248.60 (Average)**
Brighton Greystone Homes	Village 21 4,000 sf	$757,950 to $777,950 **$767,950 (Average)**	2,422 to 2,538 sf **2,480 sf (Average)**	$306.52 to $312.94 **$309.73 (Average)**
Savoy Brookfield Homes	Village 24 5,850 sf	$930,900 to $978,900 **$956,233 (Average)**	3,479 to 3,815 sf **3,666 sf (Average)**	$256.59 to $267.58 **$260.99 (Average)**
Carlyle Brookfield Homes	Village 22 4,500 sf	$805,900 to $838,900 **$824,567 (Average)**	2,946 to 3,230 sf **3,120 sf (Average)**	$259.72 to $273.56 **$264.54 (Average)**

Ranked in order of lot size, these projects demonstrate the following characteristics.

Housing Type	SFD-3 Village 20	SFD-3 Village 21	SFD-4 Village 22	SFD-5 Village 23	SFD-5 Village 24	SFD-6 Village 24
Typical Lot Size (sf)	4,050 sf	4,050 sf	4,500 sf	5,500 sf	5,850 sf	6,000 sf
Home Price	$731,350	$767,950	$824,567	$865,333	$956,233	$992,950
Average SF	2,392 sf	2,480 sf	3,120 sf	3,542 sf	3,666 sf	3,999 sf
Price Per SF (base)	$305.45	$309.73	$264.54	$242.69	$260.99	$248.60

These current prices have been considered with respect to the average pricing for each community. As compared to the overall revenues identified for the Phase 2 homes, the closest revenues similar to this typical size are the parameters for the SFD-6 lots at $248.60 per square foot. However, these revenues are based on larger homes at 3,999 square feet, slightly larger than the average homes identified for this lot type at 3,860 square feet. Based on review of these parameters, the average pricing has been identified at $245 per square foot. This equates to $945,700 (3,860 sf * $245/sf) and has been applied for this model. The cash flow model assumes appreciation at 4% per annum, or 1% per quarter.

Absorption: The average absorption rate for this project has been established at 5.0 sales per month. The total absorption projections for the competing projects were identified from 5.0 to 7.0 sales per month. This rate has been concluded toward the lower end of the range and is reasonable for this project especially based on the higher nature of these lots and the proposed price-points. Absorption is based on quarterly discounting.

Property Taxes/Levies/Assessments: The property taxes for this model have been identified at $9,811.05 per annum. This is based on the opinion of value for a finished lot at $383,700 * 1.0456% = $4,011.97. Assessments for this classification of lots equates to $5,799.08 per annum. As this model is allocated quarterly, property taxes have been established at $2,455 per unsold unit, per period (Rounded from $2,452.76).

Construction Costs: Calculations of the direct and indirect construction costs for this project were not provided for this project, however based on the inclusion of costs identified for the remaining projects, have been calculated in a similar manner as the proposed revenues for this project. A summary of the direct costs, fees and permits for the remaining projects are identified below.

Project	Typical Lot Size (SF)	Typical Unit Size	Direct Costs/sf.	Building Permits	Fees
SFD-1	3,150 sf	1,800	$76.00	$2,950	$30,557
SFD-3	4,050 sf	2,400	$74.50	$3,811	$30,593
SFD-3	4,000 sf	2,500	$74.00	$4,264	$30,593
SFD-4	4,500 sf	2,900	$72.00	$5,203	$30,593
SFD-5	5,500 sf	3,400	$71.75	$6,107	$30,593
SFD-5	5,850 sf	3,600	$71.50	$6,250	$30,593
SFD-6	**6,500 sf**	**3,860**			
SFD-8	8,050 sf	4,000	$71.50	$6,454	$30,593

Based on the linear relationship identified above, the following has been identified for this project. Direct Costs - $71.50 per square foot, Building Permits - $1.68 per square foot, Fees - $30,593. Based on these assumptions, the total construction costs for this project are as follows.

Item	Total Costs
Direct Construction Costs ($71.50/sf)	$275,990
Building Permits ($1.68/sf)	$6,485
Fees	$30,593
Site Indirects – 3% ($945,700 * 3%)	$28,371
Warranty – 0.75% ($945,700 * 0.75%)	$7,093
Costs of Funds – 4.5% ($945,700 * 4.5%)	$42,556
Total Construction Costs	$391,088
Rounded	**$391,100**

Administration & Overhead / Sales & Marketing: These costs have been projected at 3% and 6% of gross sales. They are based on the revenues established above at $945,700 per unit.

Profit / Discount Rate: A blended entrepreneurial profit / discount rate range from 16% to 20% has been selected for this analysis. An 18% rate is believed reasonable for this project. This is above the other smaller lot projects but based on higher revenues there is added risk. It produces an opinion of value of $38,370,000 (Rounded from $38,368,988) for the 100 hypothetical lots identified for this project.

Calculations of Static Profit: The calculations of the total profit identified for this project are displayed below.

Item	Total	Per Unit (Inc. Appreciation)
Project Revenues	$98,210,945	$982,109
Property Taxes	$948,858	$9,488
Construction Costs	$39,110,000	$391,100
Sales & Marketing	$5,892,657	$58,927
Administration & Overhead	$2,946,328	$29,463
Opinion of Land Value	$38,368,988	$383,689
Total Profit	**$10,944,115**	**$109,441**
% Of Gross Sales	**11.1%**	**11.1%**

The result of this cash flow model demonstrates an opinion of land value of $38,370,000 (Rounded from $38,368,988) or $383,700 per finished lot. It provides a total profit near 11.1% of gross sales and represents 39.1% of the average sales price for this development. This cash flow model is identified on the following page.

CASH FLOW MODEL ANALYZING FINISHED LOT VALUE
SFD-6 CLASSIFICATION - 6,500 SF TYPICAL LOT SIZE

Quartely Discounting Item		Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8
Total Number of Units Developed		100	100	85	70	55	40	25	10
Total Number of Units Constructed		15	15	15	15	15	15	10	0
Number of Units sold		0	15	15	15	15	15	15	10
Number of Units Unsold		100	85	70	55	40	25	10	0
Average Selling Price		$945,700	$945,700	$945,700	$945,700	$945,700	$945,700	$945,700	$945,700
Total Project Revenue		$0	$14,185,500	$14,185,500	$14,185,500	$14,185,500	$14,185,500	$14,185,500	$9,457,000
Market Appreciation	1.000%	$0	$141,855	$283,710	$425,565	$567,420	$709,275	$851,130	$661,990
Total Revenue		**$0**	**$14,327,355**	**$14,469,210**	**$14,611,065**	**$14,752,920**	**$14,894,775**	**$15,036,630**	**$10,118,990**
Property Taxes	$ 2,455	$245,500	$208,675	$171,850	$135,025	$100,164	$62,603	$25,041	$0
Construction Costs (Direct & Indirect)	$ 391,100	$5,866,500	$5,866,500	$5,866,500	$5,866,500	$5,866,500	$5,866,500	$3,911,000	$0
Sales and Marketing	6.0%	$0	$859,641	$868,153	$876,664	$885,175	$893,687	$902,198	$607,139
Admin. and Overhead	3.0%	$0	$429,821	$434,076	$438,332	$442,588	$446,843	$451,099	$303,570
Total Expenses		**$6,112,000**	**$7,364,637**	**$7,340,579**	**$7,316,521**	**$7,294,427**	**$7,269,632**	**$5,289,338**	**$910,709**
Net Sales Revenue		**($6,112,000)**	**$6,962,718**	**$7,128,631**	**$7,294,544**	**$7,458,493**	**$7,625,143**	**$9,747,292**	**$9,208,281**
Project Sensitivity									
Discount Rate	16%	0.96154	0.92456	0.88900	0.85480	0.82193	0.79031	0.75992	0.73069
Net Cash Flow		($5,876,923)	$6,437,424	$6,337,327	$6,235,407	$6,130,338	$6,026,261	$7,407,141	$6,728,401
Discount Rate	17%	0.95923	0.92013	0.88262	0.84663	0.81212	0.77901	0.74725	0.71679
Net Cash Flow		($5,862,830)	$6,406,586	$6,291,844	$6,175,810	$6,057,184	$5,940,070	$7,283,692	$6,600,397
Discount Rate	18%	0.95694	0.91573	0.87630	0.83856	0.80245	0.76790	0.73483	0.70319
Net Cash Flow		($5,848,804)	$6,375,969	$6,246,795	$6,116,923	$5,985,076	$5,855,315	$7,162,588	$6,475,126
Discount Rate	19%	0.95465	0.91136	0.87004	0.83058	0.79292	0.75697	0.72264	0.68987
Net Cash Flow		($5,834,845)	$6,345,572	$6,202,175	$6,058,736	$5,913,995	$5,771,966	$7,043,780	$6,352,524
Discount Rate	20%	0.95238	0.90703	0.86384	0.82270	0.78353	0.74622	0.71068	0.67684
Net Cash Flow		($5,820,952)	$6,315,391	$6,157,980	$6,001,240	$5,843,925	$5,689,999	$6,927,219	$6,232,527

Discount Rate Utilized	Indicated Value	Rounded	Per Lot
16%	$39,425,376	$39,430,000	$394,300
17%	$38,892,753	$38,890,000	$388,900
18%	$38,368,988	$38,370,000	$383,700
19%	$37,853,903	$37,850,000	$378,500
20%	$37,347,326	$37,350,000	$373,500

SFD-8 – 8,050 SF Typical Lot Size/ 4,000 SF Average Unit Size
100 Units (Hypothetical)

Revenues: The average revenues for this development have been identified at $958,950 or approximately $240.00 per square foot based on the December 2003 pro-forma. It has been predicated on the parameters for Village 37 of Phase 4. The price per square foot is the best indicator to compare to the competing projects as identified in this report. The following is a summary of the indicators as identified in the *Market Overview* section of this report.

Project	Typical Lot Size (SF)	Average Base Price	Average Unit Size (SF)	Average Absorption	Average Price / SF
8 / Wyngate	3,000 sf	$650,880	1,839	8.9	$355.02
3 / Villa Pasco	3,300 sf	$568,650	1,630	8.7	$349.49
4 / Coronado	4,200 sf	$720,994	2,485	7.0	$291.65
6 / Amicelli	4,200 sf	$700,830	2,315	4.9	$303.35
16 / St. Andrews	5,200 sf	$972,642	3,723	3.1	$261.74
9 / Belrose	5,500 sf	$943,650	3,409	9.7	$277.64
10 / Taramea	5,500 sf	$825,650	3,045	6.5	$271.38
21 / Riva	5,800 sf	$698,283	2,161	4.1	$324.20
22 / Rainsong	6,300 sf	$764,064	2,781	2.7	$277.69
5 / Monarch	6,500 sf	$776,150	2,525	8.4	$310.84
7 / Delamore	6,600 sf	$987,017	4,173	5.0	$237.48
13 / Turnberry	7,000 sf	$1,037,975	4,728	6.1	$219.81
SFD-8	***8,505 sf***		***4,000***		
2 / Gallery	9,500 sf	$1,003,900	3,562	8.4	$285.67
14 / Inverness	9,900 sf	$1,118,475	4,616	3.8	$242.75
1 / Summit Bridge	10,000 sf	$1,628,272	5,425	0.83	$307.24
15 / Pinnacle	10,890 sf	$1,425,975	5,035	5.0	$283.99

Another example of this is the current pricing identified for Phase 2 of this project, which reflects the most recent pricing in the Windemere project as models are nearing completion and the units are ready for sale. The following table illustrates this level of pricing.

Project Developer	Village Lot Size	Base Price Range	Unit Size Range	$/SF Range
Adventura Centex Homes	Village 20 4,050 sf	$710,000 to $745,000 $731,350 (Average)	2,259 to 2,490 sf 2,392 sf (Average)	$299.20 to $314.30 $305.45 (Average)
Luminaria Centex Homes	Village 23 5,500 sf	$844,000 to $886,000 $865,333 (Average)	3,314 to 3,746 sf 3,542 sf (Average)	$236.52 to $254.68 $242.69 (Average)
Waterford Greystone Homes	Village 25 6,000 sf	$977,950 to $1,007,950 $992,950 (Average)	3,833 to 4,164 sf 3,999 sf (Average)	$242.06 to $255.14 $248.60 (Average)
Brighton Greystone Homes	Village 21 4,000 sf	$757,950 to $777,950 $767,950 (Average)	2,422 to 2,538 sf 2,480 sf (Average)	$306.52 to $312.94 $309.73 (Average)
Savoy Brookfield Homes	Village 24 5,850 sf	$930,900 to $978,900 $956,233 (Average)	3,479 to 3,815 sf 3,666 sf (Average)	$256.59 to $267.58 $260.99 (Average)
Carlyle Brookfield Homes	Village 22 4,500 sf	$805,900 to $838,900 $824,567 (Average)	2,946 to 3,230 sf 3,120 sf (Average)	$259.72 to $273.56 $264.54 (Average)

Ranked in order of lot size, these projects demonstrate the following characteristics.

Housing Type	SFD-3 Village 20	SFD-3 Village 21	SFD-4 Village 22	SFD-5 Village 23	SFD-5 Village 24	SFD-6 Village 24
Typical Lot Size (sf)	4,050 sf	4,050 sf	4,500 sf	5,500 sf	5,850 sf	6,000 sf
Home Price	$731,350	$767,950	$824,567	$865,333	$956,233	$992,950
Average SF	2,392 sf	2,480 sf	3,120 sf	3,542 sf	3,666 sf	3,999 sf
Price Per SF (base)	$305.45	$309.73	$264.54	$242.69	$260.99	$248.60

These current prices have been considered with respect to the average pricing for each community. As compared to the overall revenues identified for the Phase 2 homes, the SFD-6 lots indicate an overall value of $248.60 per square foot based on similar size homes, configured on smaller lots. Based on review of these parameters, the average pricing has been identified at $245 per square foot. This equates to $980,000 (4,000 sf * $250/sf) and has been utilized for this model. The cash flow model assumes appreciation at 4% per annum, or 1% per quarter.

Absorption: The average absorption rate for this project has been established at 5.0 sales per month. The total absorption projections for the competing projects were identified from 5.0 to 7.0 sales per month. This rate is reasonable for this project. Absorption is based on quarterly discounting.

Property Taxes/Levies/Assessments: The property taxes for this model have been identified at $11,887.27 per annum. This is based on the opinion of value for a finished lot at $397,300 * 1.0465% = $4,157.74. Assessments for this classification of lots equates to $7,729.53 per annum. As this model is allocated quarterly, property taxes have been established at $2,980 per unsold unit, per period (Rounded from $2,971.82).

Construction Costs: Calculations of the direct and indirect construction costs for this project are displayed below and have been calculated at $403,900 per unit. They are based on the developer's projections of hard costs and fees at building permit, as well as re-calculated costs for the indirect items.

Item	Total Costs
Direct Construction Costs	$286,000
Building Permits	$6,454
Fees	$30,593
Site Indirects – 3% ($980,000 * 3%)	$29,400
Warranty – 0.75% ($980,000 * 0.75%)	$7,350
Costs of Funds – 4.5% ($980,000 * 4.5%)	$44,100
Total Construction Costs	$403,897
Rounded	**$403,900**

Administration & Overhead / Sales & Marketing: These costs have been projected at 3% and 6% of gross sales. They are based on the revised revenues established above at $980,000 per unit.

Profit / Discount Rate: A blended entrepreneurial profit / discount rate range from 16% to 20% has been selected for this analysis. An 18% rate is believed reasonable for this project. This is above the other smaller lot projects but based on higher revenues there is added risk. It produces an opinion of value of $39,730,000 (Rounded from $39,729,361) for the 100 hypothetical lots identified for this project.

Calculations of Static Profit: The calculations of the total profit identified for this project are displayed below.

Item	Total	Per Unit (Inc. Appreciation)
Project Revenues	$101,773,000	$1,017,730
Property Taxes	$1,151,770	$11,518
Construction Costs	$40,390,000	$403,900
Sales & Marketing	$6,106,380	$61,064
Administration & Overhead	$3,053,190	$30,532
Opinion of Land Value	$39,729,361	$397,294
Total Profit	**$11,342,299**	**$113,423**
% Of Gross Sales	**11.1%**	**11.1%**

The result of this cash flow model demonstrates an opinion of land value of $39,730,000 or $397,300 per finished lot. It provides a total profit near 11.1% of gross sales and represents 39.2% of the average sales price for this development. This cash flow model is identified on the following page.

CASH FLOW MODEL ANALYZING FINISHED LOT VALUE
SFD-8 CLASSIFICATION - 8,050 SF TYPICAL LOT SIZE

Quartely Discounting Item		Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8
Total Number of Units Developed		100	100	85	70	55	40	25	10
Total Number of Units Constructed		15	15	15	15	15	15	10	0
Number of Units sold		0	15	15	15	15	15	15	10
Number of Units Unsold		100	85	70	55	40	25	10	0
Average Selling Price		$980,000	$980,000	$980,000	$980,000	$980,000	$980,000	$980,000	$980,000
Total Project Revenue		$0	$14,700,000	$14,700,000	$14,700,000	$14,700,000	$14,700,000	$14,700,000	$9,800,000
Market Appreciation	1.000%	$0	$147,000	$294,000	$441,000	$588,000	$735,000	$882,000	$686,000
Total Revenue		**$0**	**$14,847,000**	**$14,994,000**	**$15,141,000**	**$15,288,000**	**$15,435,000**	**$15,582,000**	**$10,486,000**
Property Taxes	$ 2,980	$298,000	$253,300	$208,600	$163,900	$121,584	$75,990	$30,396	$0
Construction Costs (Direct & Indirect)	$ 403,900	$6,058,500	$6,058,500	$6,058,500	$6,058,500	$6,058,500	$6,058,500	$4,039,000	$0
Sales and Marketing	6.0%	$0	$890,820	$899,640	$908,460	$917,280	$926,100	$934,920	$629,160
Admin. and Overhead	3.0%	$0	$445,410	$449,820	$454,230	$458,640	$463,050	$467,460	$314,580
Total Expenses		**$6,356,500**	**$7,648,030**	**$7,616,560**	**$7,585,090**	**$7,556,004**	**$7,523,640**	**$5,471,776**	**$943,740**
Net Sales Revenue		**($6,356,500)**	**$7,198,970**	**$7,377,440**	**$7,555,910**	**$7,731,996**	**$7,911,360**	**$10,110,224**	**$9,542,260**
Project Sensitivity									
Discount Rate	16%	0.96154	0.92456	0.88900	0.85480	0.82193	0.79031	0.75992	0.73069
Net Cash Flow		($6,112,019)	$6,655,852	$6,558,517	$6,458,824	$6,355,137	$6,252,463	$7,682,939	$6,972,436
Discount Rate	17%	0.95923	0.92013	0.88262	0.84663	0.81212	0.77901	0.74725	0.71679
Net Cash Flow		($6,097,362)	$6,623,968	$6,511,447	$6,397,091	$6,279,301	$6,163,037	$7,554,893	$6,839,790
Discount Rate	18%	0.95694	0.91573	0.87630	0.83856	0.80245	0.76790	0.73483	0.70319
Net Cash Flow		($6,082,775)	$6,592,312	$6,464,826	$6,336,094	$6,204,548	$6,075,100	$7,429,280	$6,709,975
Discount Rate	19%	0.95465	0.91136	0.87004	0.83058	0.79292	0.75697	0.72264	0.68987
Net Cash Flow		($6,068,258)	$6,560,883	$6,418,648	$6,275,822	$6,130,861	$5,988,623	$7,306,049	$6,582,926
Discount Rate	20%	0.95238	0.90703	0.86384	0.82270	0.78353	0.74622	0.71068	0.67684
Net Cash Flow		($6,053,810)	$6,529,678	$6,372,910	$6,216,266	$6,058,221	$5,903,579	$7,185,147	$6,458,577

Discount Rate Utilized	Indicated Value	Rounded	Per Lot
16%	$40,824,149	$40,820,000	$408,200
17%	$40,272,164	$40,270,000	$402,700
18%	$39,729,361	$39,730,000	$397,300
19%	$39,195,555	$39,200,000	$392,000
20%	$38,670,569	$38,670,000	$386,700

RECONCILIATION
SINGLE-FAMILY DETACHED
BASE REVENUES

There were two approaches to value utilized to derive an opinion of the market value "as if complete" for the single-family detached land uses for this project. Both of these methods assumed a typical project size of 100 lots, which is reasonable based on the allocation of land uses identified in this project. The following is a summary of the conclusions identified from the sales comparison approach and the income approach to value. These have been presented on a per lot basis.

SFD-1 – 3,150 SF Typical Lot Size		
Sales Comparison Approach	$306,000 per finished lot	
Income Approach (DCF Model)	$300,010 per finished lot	
CONCLUSION		**$305,000 per finished lot**
SFD-2 – 3,825 SF Typical Lot Size		
Sales Comparison Approach	$333,000 per finished lot	
Income Approach (DCF Model)	$319,700 per finished lot	
CONCLUSION		**$325,000 per finished lot**
SFD-3 – 4,050 SF Typical Lot Size		
Sales Comparison Approach	$342,000 per finished lot	
Income Approach (DCF Model)	$331,200 per finished lot	
CONCLUSION		**$335,000 per finished lot**
SFD-4 – 4,500 SF Typical Lot Size		
Sales Comparison Approach	$360,000 per finished lot	
Income Approach (DCF Model)	$345,800 per finished lot	
CONCLUSION		**$355,000 per finished lot**
SFD-5 – 5,500 SF Typical Lot Size		
Sales Comparison Approach	$377,500 per finished lot	
Income Approach (DCF Model)	$374,800 per finished lot	
CONCLUSION		**$375,000 per finished lot**
SFD-6 – 6,500 SF Typical Lot Size		
Sales Comparison Approach	$385,000 per finished lot	
Income Approach (DCF Model)	$383,700 per finished lot	
CONCLUSION		**$384,000 per finished lot**
SFD-8 – 8,050 SF Typical Lot Size		
Sales Comparison Approach	$405,000 per finished lot	
Income Approach (DCF Model)	$397,300 per finished lot	
CONCLUSION		**$400,000 per finished lot**

The two approaches to value were fairly consistent in the derivation of the finished lot values to be processed in the income approach section of this report. The sales comparison approach is somewhat secondary in this analysis as there have been no recent comparable sales, which reflect similar characteristics as the subject. Numerous adjustments were applied to these sales which sacrifices the overall credibility of this approach to value.

The income approach through a discounted cash flow model was also performed for each of the classification of lots in this analysis. Each was predicated on a project size of 100 units for any given model for the seven lot types noted in this analysis. Revenues were based on the developer's projections for each type, and when compared to the current competing projects, including those identified in the immediate community, seem justified. Sales have been strong since opening in this project. All applicable costs were deducted from these revenues and the net present value of the project area was identified. These net revenues were discounted at an applicable rate, which when residual calculations are performed, support adequate profit for development at the land values identified in the individual cash flow models. This is the most credible means of identifying value for this project, especially when comparable sales are not present as in the case of the subject property.

Conclusion of Value
Phase 2 Villages

The opinions of value identified above are utilized for two reasons. They reflect the opinion of value as finished lots for each lot type which are utilized as the revenue projections in the income approach. In addition, since the lots identified within Phase 2 of this project reflect finished lots, values can be concluded. Based on the opinions of value derived above, the opinion of Market Value "As Is" for the individual villages within Phase 2 of this project, subject to the assumptions and limiting conditions, as well as the special assumptions of this report, as of the effective date of valuation, April 21, 2004, is as follows.

Village	Ownership	# of Lots	Typical Lot Size	Value/Finished Lot	Total
Village 20	Centex Homes	76 Lots	4,050 sf	$335,000/Lot	**$25,460,000**
Village 21	Greystone Homes	55 Lots	4,000 sf	$335,000/Lot	**$18,425,000**
Village 22	Brookfield Homes	69 Lots	4,500 sf	$355,000/Lot	**$24,495,000**
Village 23	Centex Homes	77 Lots	5,500 sf	$375,000/Lot	**$28,875,000**
Village 24	Brookfield Homes	68 Lots	5,850 sf	$375,000/Lot	**$25,500,000**
Village 25	Greystone Homes	103 Lots	6,000 sf	$384,000/Lot	**$39,552,000**

As noted in the *History of the Property* Section of this report, the lots within Phase 2 of this project this project were recently acquired by the ownership identified above in November 2003. The following table shows the overall variance in the opinions of value relative to the acquisition prices.

Village Reference	# of Lots	Typical Lot Size	Acquisition Price per Finished Lot	Opinion of Value Per Finished Lot	Variance
20 – Centex	76	45' x 90' – 4,050 sf	$310,897 / Finished Lot	$335,000 / Finished Lot	7.7%
21 – Greystone	55	50' x 80' – 4,000 sf	$311,423 / Finished Lot	$335,000 / Finished Lot	7.6%
22 – Brookfield	69	50' x 90' – 4,500 sf	$318,748 / Finished Lot	$355,000 / Finished Lot	11.4%
23 – Centex	77	55' x 100' – 5,500 sf	$347,008 / Finished Lot	$375,000 / Finished Lot	8.0%
24 – Brookfield	68	65' x 90' – 5,850 sf	$349,507 / Finished Lot	$375,000 / Finished Lot	7.3%
25 – Greystone	103	60' x 100' – 6,000 sf	$403,214 / Finished Lot	$384,000 / Finished Lot	(4.8%)

Overall, the opinions of market value are above these indicators. However, these projects closed escrow in November 2003, with the overall pricing identified in mid-2003. As noted throughout this report, the pricing established in this market environment has escalated rapidly in the past six months, most noted in the Phase 2 production home pricing.

Opinion of Marketing / Exposure Time

Potential buyers of this property will need access to capital and are most likely to be publicly traded companies. However, market conditions are strong as of the effective date of valuation and many prospective purchasers would be willing to enter this community. Due to this nature, as well as potential demand for this property, a marketing and exposure period of 3 months has been project.

LAND ANALYSIS
For-Sale Attached Projects
141 Units – Townhouse Development (Phase 4) – 11.2 AC (12.6 du/ac) – Village 39
179 Units – Condominium Development (Phase 3) – 11.1 AC (16.1 du/ac) – Village 27

Given the product type for this project, it will be valued based on the actual specifics for Village 39 with 141 units proposed for the development of townhouses. The underlying density for this project is 12.6 units per acre and valuation has been predicated on this basis. Once this value is identified it is reconciled with the opinion of value for Village 27, proposed for the development of 179 condominium units. There were comparable sales discovered in this analysis, which reflect a similar use for townhouse development. A summary of the comparable sales utilized for this product type is displayed below.

Summary of Townhouse Land Sales
Windemere Ranch

Sale No.	Location/APN	Purchaser/ Seller	COE Sale Date	Sales Price	# of Lots Acres Density	Per Lot Dev. Costs Total	Description
1.	NEC of E. Curtis Avenue and S. Main Street Milpitas, CA 086-25-024	Western Pacific Housing RGC Courtyard Homes	Pending Jul-03	$24,700,000	237 7.36 35.5 du/ac	$104,219 $27,050 *$131,269*	Proposed townhouse site for 261 units, including 24 affordable units
2.	Western side of Warm Springs Boulevard, N. of Santa Clara Cty. Fremont, CA 519-1010-013-03	Van Sicklen, et al Village of the Green LLC	Jan-02 Mar-00	$12,640,000	174 15.61 12.40 du/ac	$72,644 $55,927 *$128,571*	Proposed townhouse site for 194 units, including 20 affordable units
3.	South side of "D" Street, east of Grand Avenue Hayward, CA 431-0044-026, 027, 028, 029 431-0048-001, 002, 020	Grand Place Hayward LLC Pulte Homes	Jun-02 Mar-02	$20,930,000	161 6.509 24.7 du/ac	$130,000 $0 *$130,000*	Sale of a finished townhouse site in Hayward
4.	NEQ of N. Capitol Avenue, and Autumnvale Drive San Jose, CA 092-41-106	Nunes, et al Hudson Industrial Equities	Mar-02 Dec-01	$1,500,000	17 1.2 14.2 du/ac	$88,235 $50,559 *$138,794*	Purchase of a dog kennel site for the development of a 17-unit townhouse project
5.	Northern side of Dublin Blvd., East of Tassajara Creek Dublin, CA 986-0005-028	Alameda County Toll CA II LP	Dec-99	$30,175,000	295 29 10.2 du/ac	$102,288 $40,000 *$142,288*	Development of 3 separate projects including 152 townhouses.
Subject	*Windemere Ranch*	*Windemere BLC Land Co.*			*141 11.2 12.6 du/ac*		

TOWNHOUSE LAND SALES MAP

Application of Adjustments

Prior to adjustments to the comparable sales, the price per finished townhouse lot (typical unit of comparison) ranged from $128,571 to $142,288 per lot. The comparable sales utilized in this analysis reflect the best available transactions for this analysis. Land transactions considered comparable to the subject are scarce in this market segment, and the townhouse nature for this project makes it even more difficult for comparison. The following is an application of the adjustments considered to the comparable sales.

Property Rights Transferred

Each of the comparable sales represents a conveyance of the fee simple estate, and therefore no adjustments are necessary for this element.

Financing Terms

All of the sales were reported to involve all cash to the seller at the close of escrow. No adjustments necessary.

Conditions of Sale

Each sale utilized in this analysis is indicative of an arms length transaction. No adjustments required.

Market Conditions

As discussed previously in the *Market Overview* section of this report, the market conditions for the subject's area have stabilized after a period of correction in 2001. The overall reduction in interest rates, accompanied with the lack of supply of vacant land has pressed home prices upward over the past eighteen months. In 2001, several projects in this area offered concessions and incentives to purchase, whereas some developments have flat out reduced prices. However, through 2002, concessions have dissipated, where prices have increased slightly and total sales in the area have increased. This follows several years of significant price appreciation in the present market climate. Price appreciation in the local area was roughly from 20% to 40% from the end of 1998 to the end of 2000. The end of 2000, November to December appears to be the period when the market peaked. Several residential subdivisions in this market segment reduced prices from the end of 2000 to the early part of 2002. Since this time frame, market activity increased and developers started raising prices moderately to gauge if homebuyers would accept further increases. According to review of information compiled by the Meyer's Group there have not been enough attached projects to gauge changes in this market environment. However, based on the current price segments proposed for these attached projects, as well as price appreciation noted for the detached projects, the comparable sales was adjusted upward 1.0% per month for market appreciation. These adjustments are delineated on the following table.

Comp.	Sale Date	Months	% Adj.	Total Adj.
1	7-03	9	1%/mo.	9%
2	3-00	49	1%/mo.	49%
3	3-02	25	1%/mo.	25%
4	12-01	28	1%/mo.	28%
5	12-99	52	1%/mo.	52%

Number of Lots

The adjustment for the number of lots is based on the overall holding costs. The comparable sales in this analysis include from 17 to 237 lots. There is some difference with respect to the total number of lots based on holding costs of these lots throughout the development. Essentially, the subject property will have slightly higher holding costs relative to the comparable sales, based on absorption rates in the present market environment. For this analysis, adjustments have been calculated based on the difference in the number of lots and the subject, factored at a typical absorption rate of 6.0 sales per month. This difference is multiplied by a factor of ¼% per month in order to derive the applicable differences. Calculation of these adjustments is as follows.

Comp	1	4	5
# of Lots	237	17	295
Subject	141	141	141
Difference	96	124	154
Absorption Factor	6/Mo.	6/Mo.	6/Mo.
Monthly differential	16 Mo.	20.7 Mo.	25.7 Mo.
X Factor	¼%	¼%	¼%
% Adjustment	**+4.0% RD**	**(5.0%) RD**	**+6.0% RD**

Location

There were location adjustments applied to the comparable sales. Comparables 1 and 4 were adjusted upward for the inferior location. Comparable 1 is located in the City of Milpitas and the surrounding property uses near this property are generally less desirable than the subject. This adjustment was also factored based on the proposed homes identified for this project which are identified in the lower $400,000s. An upward adjustment of $15,000 was applied to this sale. The same is true for comparable 4 also adjusted at $15,000 for the same elements.

Density

This adjustment is based on the overall density for the subject development. Adjustments for this analysis are based on the overall density, rather than the typical lot size due to the mix of unit types within the subject development. The overall density of this project has been valued at 12.6 units per acre. There is no easy means in the derivation of this adjustment. It appears that as densities increase, the price per unit drops. However, there are definitive breaking points in this market segment. As the majority of the comparables utilized in this analysis are generally medium and high-density comparable sales, adjustments of 10% were applied to comparables 1 and 3 for the higher density in relation to the subject property. Comparable 5 was adjusted downward 10% to compensate for the lower density, as well as the smaller, detached lots in relation to the subject property.

Elements of Comparison	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Total Price per Finished Lot	-	*$131,269*	*$128,571*	*$130,000*	*$138,794*	*$142,288*
Property Rights Conveyed	*Fee Simple*	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment		$0	$0	$0	$0	$0
Adjusted Base		*$131,269*	*$128,571*	*$130,000*	*$138,794*	*$142,288*
Financing Terms	*Market*	Cash	Cash	Cash	Cash	Cash
Adjustment		$0	$0	$0	$0	$0
Adjusted Base		*$131,269*	*$128,571*	*$130,000*	*$138,794*	*$142,288*
Conditions of Sale	*Arms-Length*	Similar	Similar	Similar	Similar	Similar
Adjustment		$0	$0	$0	$0	$0
Adjusted Base		*$131,269*	*$128,571*	*$130,000*	*$138,794*	*$142,288*
Market Conditions	*Apr-04*	Jul-03	Mar-00	Mar-02	Dec-01	Dec-99
Adjustment		9%	49%	25%	28%	52%
Adjusted Base		*$143,083*	*$191,571*	*$162,500*	*$177,656*	*$216,278*
Adjusted Price		**$143,083**	**$191,571**	**$162,500**	**$177,656**	**$216,278**
# of Lots	*142*	237 (+4%)	174	161	17 (-5%)	295 (+6%)
		$5,700	$0	$0	($8,900)	$13,000
Location	*Good*	Inferior	Similar	Similar	Inferior	Similar
		$15,000	$0	$0	$15,000	$0
Density	*12.6 du/ac*	35.5 du/ac	12.4 du/ac	24.7 du/ac	14.1 du/ac	10.1 du/ac
		$14,000	$0	$16,000	$0	($21,200)
Net Adjustment		*$34,700*	*$0*	*$16,000*	*$6,100*	*($8,200)*
Indicated $/Lot		**$177,783**	**$191,571**	**$178,500**	**$183,756**	**$208,078**

Conclusion - Sales Comparison Approach

The following grid displays the adjusted unit price for each comparable sale as well as the degree of comparability as compared to the subject property.

DEGREE OF COMPARABILITY			
Sale #	Low	Average	High
1.			$177,783
2.		$191,571	
3.			$178,500
4.		$183,756	
5.	$208,078		

After adjustments, the comparable sales indicated a range from $177,783 to $208,078 per finished townhouse lot. This is a wide range for these properties, but based on their sale dates reflect the best available properties for comparison. Most support for this analysis is from $175,000 to $185,000 as these sales are larger sites generally close in comparability to the number of units identified for the subject. Based on review of these sales, an opinion of value identified at **$180,000 per finished townhouse lot** is identified for the subject.

Value for Village 27 – 179 Condominium Units (16.1 du/ac)

In addition to the value identified for the townhouse site, the same comparables are presented for the analysis of the condominium site. This value is generally similar to the value identified for the townhouses, with the exception of a downward adjustment of 5% for the higher density for this project at 16.4 units per acre. The prior value was established at $180,000 per lot and after consideration of the overall downward adjustment of 5% for the higher density, demonstrates an opinion of value of **$171,000** per finished lot is identified.

INCOME APPROACH (DISCOUNTED CASH FLOW ANALYSIS)
Phases 4, 3 and 5
Individual Values

The land components analyzed previously are utilized as the potential revenues for the Income Approach (Discounted Cash Flow Analysis). This is the only approach to value utilized for the purposes of deriving an "as is" value for each phase of development as it factors in the overall timing of construction for this property. Essentially, it analyzes the revenues projected over the life of this project, less applicable costs incurred within the development, over the life of this project. Certain key elements applied for this model are as follows.

- Revenues are based on the sales of finished lot transactions established for each of the components. This includes the overall value as finished lots for the detached components, townhouses, and condominium sites, and a "superpad" for the multi-family component.

- Absorption references are based on projections by the appraiser, as well as consideration to the proposed timing by the developer as noted in their cash flow.

- Costs associated for the development of the "backbone" infrastructure and the "In-Tract" improvements are based on time projections provided for review by the developer. Based on absorption projections in this report, the timing is generally consistent with the concluded absorption of this project.

- Other costs deducted from the gross revenues include property tax payments on the land inventory, an allowance for sales and marketing costs for the sales of the units, as well as overhead. In addition, there is a "line-item" factored into this model for certain profit levels associated with the development and risk associated with the development of this project. It was the consensus of market participants that there is a certain profit level associated with the development of projects of this magnitude. This rate, as well as the discount rate applied to the net revenues yields a potential internal rate of return for this property.

All of these factors were utilized in order to derive the market value "as is" for each phase of development. The values presented are based on the overall project timing beginning with Phase 4 of this project. This phase will reflect the highest overall value (based on unit count) as the values for the remaining phases diminish due to the overall timing and discounting.

INCOME APPROACH (DCF MODEL)
ANALYSIS OF PHASE 4
526 Detached Lots, 91 Cottage Lots, 141 Townhouse Lots

Phase 4 is the first phase of development identified for initial development in this project. The following is a summary of the overall parameters utilized in this cash flow.

Revenues

The total revenues for this project are based on the distribution of lots allocated for each phase of development. The individual values for the various lot components are as follows.

Detached Components

Unit Type	Opinion of Value based on a "Finished-Lot" Status
SFD-1 – 3,150 SF Typical Lot Size	$305,000 per finished lot
SFD-2 – 3,825 SF Typical Lot Size	$325,000 per finished lot
SFD-3 – 4,050 SF Typical Lot Size	$335,000 per finished lot
SFD-4 – 4,500 SF Typical Lot Size	$355,000 per finished lot
SFD-5 – 5,500 SF Typical Lot Size	$375,000 per finished lot
SFD-6 – 6,500 SF Typical Lot Size	$384,000 per finished lot
SFD-8 – 8,050 SF Typical Lot Size	$400,000 per finished lot

Attached Components

Unit Type	Opinion of Value (Status)
Townhouse Lots	$180,000 per finished townhouse site
Condominium Lots	$171,000 per finished condominium site
Multi-Family	$23,686 per superpad site

Based on the mix of lot classifications within this project, the total revenues identified for Phase 4 of this project are as follows.

Unit Type	# of Units Phase 4
SFD-1	0
SFD-2	0
SFD-3	200
SFD-4	94
SFD-5	157
SFD-6	0
SFD-8	75
DETACHED TOTALS	**526**
Courtyard Lots	91
Townhouse Lots	141
PHASE 4 TOTALS	**758**

Based on this mix of lots to be developed within the project, as well as the indicators of value noted above, the total revenues for this phase of development are as follows.

Unit Type	# of Lots	Opinion of Value / Lot	Total
SFD-1 (3,150 sf)	0	$305,000/Lot	$0
SFD-2 (3,825 sf)	0	$325,000/Lot	$0
SFD-3 (4,050 sf)	200	$335,000/Lot	$67,000,000
SFD-4 (4,500 sf)	94	$355,000/Lot	$33,370,000
SFD-5 (5,500 sf)	157	$375,000/Lot	$58,875,000
SFD-6 (6,500 sf)	0	$384,000/Lot	$0
SFD-8 (8,050 sf)	75	$400,000/Lot	$30,000,000
Sub-Totals	**526**		**$189,245,000**
Courtyard Homes	91	$305,000/Lot	$27,755,000
Townhouse Lots	141	$180,000/Lot	$25,380,000
Project Totals	**758**		**$242,380,000**

Based on the calculations above, the revenues for Phase 4 equate to $242,380,000. It should be noted that based on the total size and magnitude of this project, the cash flow is based on annual discounting.

Appreciation

The cash flows presented in this analysis include appreciation at a rate of 1.0% per annum. Based on the current market conditions for the residential uses, this market segment has been growing at a faster rate. This has the most impact on the detached residential uses as revenues increase by a total of 4% over the total absorption period projected for this project. In addition, most market participants indicated that appreciation of some form is projected over the life of this project. The impact of appreciation in the cash flow model has been consideration of the selection of an appropriate discount rate for this project.

Absorption

The absorption rate projected for this project has been concluded in the market overview section of this report. The conclusions developed by the appraisers, based on review of current market conditions were from 480 to 672 sales per annum for this project. However, consideration has also been placed on the developer's identified absorption of this project, which is based on the overall phasing of this project. Utilizing the overall range of absorption for the 2,645 lots (Market Rate) the total project is absorbed in 3.9 to 5.5 years. However, based on the level of infrastructure improvements for this property, the average absorption has been predicated over a 5-year period. This includes absorption of Phase 4 in Years 1 and 2, Phase 5A in Year 3, 4 and 5, and Phase 3 in Year 5. This demonstrates slightly lower absorption, but is generally reasonable based on the timing of the infrastructure improvements. Based on these parameters, absorption for this phase is as follows.

Unit Type	Period 1	Period 2	Period 3	Period 4	TOTALS
Detached Residential					
SFD-1	0	0	0	0	**0**
SFD-2	0	0	0	0	**0**
SFD-3	100	100	0	0	**200**
SFD-4	47	47	0	0	**94**
SFD-5	79	78	0	0	**157**
SFD-6	0	0	0	0	**0**
SFD-8	75	0	0	0	**75**
Total Detached Residential	**301**	**225**	**0**	**0**	**526**
Courtyard Homes	91	0	0	0	**91**
Townhouse Lots	141	0	0	0	**141**
TOTAL ABSORPTION	**533**	**225**	**0**	**0**	**758**

The total absorption for this phase includes a total of 758 units. Absorption for the residential lots ranges from 225 to 533 lots per annum. This generally coincides from the developer's projections, especially based on the timing of the infrastructure improvements. In fact, there is additional potential for additional absorption in period 2 (identified in phase 5A) for this project. Revenue charts predicated on the overall timing of this phase of development are identified on the following table.

		Year 1	Year 2	Year 3	Year 4	TOTALS
SUMMARY OF BASE REVENUES WITHOUT APPRECIATION						
SFD-1		$0	$0	$0	$0	$0
SFD-2		$0	$0	$0	$0	$0
SFD-3		$33,500,000	$33,500,000	$0	$0	$67,000,000
SFD-4		$16,685,000	$16,685,000	$0	$0	$33,370,000
SFD-5		$29,625,000	$29,250,000	$0	$0	$58,875,000
SFD-6		$0	$0	$0	$0	$0
SFD-8		$30,000,000	$0	$0	$0	$30,000,000
Courtyard		$27,755,000	$0	$0	$0	$27,755,000
Townhouse		$25,380,000	$0	$0	$0	$25,380,000
TOTAL REVENUE		$162,945,000	$79,435,000	$0	$0	$242,380,000
Appreciation Factor (Per Annum)	1%	$1,629,450	$1,588,700	$0	$0	$3,218,150
TOTAL REVENUE WITH APPRECIATION		$164,574,450	$81,023,700	$0	$0	$245,598,150

Fixed Expenses

There are certain fixed expenses included in this cash flow model for "backbone" infrastructure costs, "In-Tract" costs, as well as for the property taxes over the life of this project. These items are discussed below.

Backbone Infrastructure

The "backbone" infrastructure costs reflect the costs necessary to develop the property to a "blue-top" condition. The total project costs have been summarized in the project overview section of this report. The costs are based on actual engineer's estimates for development of this project. In consideration of these costs with respect to the cash flow, they have been projected for development based on the projections provided by the developer. The proposed timing for completion is reasonable when analyzed against the projection of absorption. A summary of the infrastructure improvements for Phase 4 are as follows.

The total reported costs for this phase of development were reported at $55,554,366, including the $10,835,000 in reimbursements for the proposed assessment district. There has been $19,852,953 in costs already allocated (spent) for this phase through the end of March 2004. The remaining costs identified for this phase of development equate to $35,681,413. In addition, there are significant costs identified in this phase of the development which generally include the costs allocated for the construction of two school sites, although costs for the elementary school have been identified in Phase 5 of this project. It was reported by the developer, that the State of California will ultimately reimburse the overall costs for this portion of the project, however, only a portion of these reimbursements were secured as of the effective date of valuation, and the developer has opted not to include these remaining offsets in the cash flow for this project.

A summary of the costs allocated to this phase of the project is as follows.

Time Reference	Total Costs
Period 1	$27,857,414
Period 2	$ 7,911,935
Period 3	($ 45,888)
Period 4	($ 42,048)
Totals	$35,681,413

"In-Tract" Improvements

The "in-tract" improvements reflect the costs for internal development of the residential components for this project. The following table summarizes the In-tract improvements for Phase 4 of this project.

DETACHED LOTS				
Village	**Lot Size (SF)**	**# of Lots**	**Total Costs**	**Per Lot**
32	45' x 90' - (4,050 sf)	103	$3,244,900	$31,504
33	50' x 80' - (4,000 sf)	97	$2,950,326	$30,416
34	50' x 90' - (4,500 sf)	94	$3,210,707	$34,156
35	65' x 90' - (5,850 sf)	78	$2,870,886	$36,806
36	55' x 100' - (5,500 sf)	79	$2,781,149	$35,204
37	70' x 115' - (8,050 sf)	75	$2,842,194	$37,896
TOTALS		**526**	**$17,900,162**	**$34,031**
TOWNHOUSE AND COURTYARD LOTS				
Village	**Lot Size (SF)**	**# of Lots**	**Total Costs**	**Per Lot**
38	Townhouse	141	$295,031	$2,092
39	Courtyard	91	$359,071	$3,946
TOTALS		**232**	**$654,102**	**$2,819**

The total in-tract improvements for Phase 4 equate to $18,554,264. In addition, there are additional in-tract costs for the townhouse and courtyard properties. These costs were identified in the developer's pro-forma at $43,282 per lot for Village 38 and $31,687 for Village 39. These additional costs are as follows.

Village 38 – 141 lots * $43,282 per lot	$6,102,762
Village 39 – 91 lots * $31,687 per lot	$2,883,517
TOTAL COSTS	$8,986,279

Added to the total costs identified above, the total In-Tract budget for Phase 4 equates to $27,540,543 or approximately $36,333 per lot. These costs have been included in the cash flow model based on absorption per annum. As the overall absorption included 533 units in Year 1, and 225 units in Year 2, the overall In-tract costs for this phase of development are as follows.

Year 1 – 533 Units * $36,333/Lot	**$19,365,489**
Year 2 – 225 Units * $36,333/Lot	**$ 8,174,925**

***Totals slightly vary due to rounding**

Property Taxes and Bond Repayments

As this cash flow assumes the development over time, allowances for property tax payments, as well as bond repayments are considered as a "line-item". They are considered fixed costs due to the inclusion of payments to buy-down the assessment bonds noted in the previous section. The current tax rate for the subject property is 1.0465% per $1,000 of assessed value. In addition, the bonds, direct levies, and assessments including the proposed assessment district are factored into the property tax payment. Property taxes for this model have been calculated based on a residual paper lot value. This was based on the opinion of value identified for the finished lots and subtracting the total "backbone" infrastructure costs, as well as "in-tract" costs. This resultant value was multiplied by the base tax rate of 1.0465% for the purposes of identifying the base property taxes. Calculations are as follows.

Unit Type	Opinion of Value Finished Lot	Site Costs	Value for Tax Basis
SFD-1 (3,150 sf)	$305,000	$83,500	$221,500
SFD-2 (3,825 sf)	$325,000	$83,500	$241,500
SFD-3 (4,050 sf)	$335,000	$83,500	$251,500
SFD-4 (4,500 sf)	$355,000	$83,500	$271,500
SFD-5 (5,500 sf)	$375,000	$83,500	$291,500
SFD-6 (6,500 sf)	$384,000	$83,500	$300,500
SFD-8 (8,050 sf)	$400,000	$83,500	$316,500
Courtyard	$305,000	$83,500	$221,500
Townhouse	$181,000	$83,500	$97,500

* Site costs total $63,221,956 ($35,681,413 "backbone" + $27,540,543 "in-tract) / 758 units = $83,406. Rounded to $83,500.)

In addition, the bonds have been identified for each land use component in the *Property Taxes and Assessments* section in this report. As such, the total base taxes identified in this model are as follows.

Unit Type	Value for Tax Basis	Base Taxes 1.0456%	Current Levies and Assessments	Proposed Assessment	Total Annual Taxes
SFD-1 (3,150 sf)	$221,500	$2,316.00	$2,776.61	$890.00	**$5,982.61**
SFD-2 (3,825 sf)	$241,500	$2,525.12	$3,045.21	$1,130.00	**$6,700.33**
SFD-3 (4,050 sf)	$251,500	$2,629.68	$3,253.88	$1,210.00	**$7,093.56**
SFD-4 (4,500 sf)	$271,500	$2,838.80	$3,611.79	$1,370.00	**$7,820.59**
SFD-5 (5,500 sf)	$291,500	$3,047.92	$3,850.47	$1,440.00	**$8,338.39**
SFD-6 (6,500 sf)	$300,500	$3,142.03	$4,089.08	$1,710.00	**$8,941.11**
SFD-8 (8,050 sf)	$316,500	$3,309.32	$5,759.53	$1,970.00	**$11,038.85**
Courtyard	$221,500	$2,316.00	$2,776.61	$890.00	**$5,982.61**
Townhouse	$97,500	$1,019.14	$2,537.99	$1,210.00	**$4,767.13**

Calculations of the cumulative property taxes for this project are as follows.

						Year 1	Year 2
TAX LIABILITY DISTRIBUTION	Land Basis	Base Tax %	Base Taxes	Bonds	TOTAL		
SFD-1	$221,500	1.0456%	$ 2,316.00	$ 3,666.61	$ 5,982.61	$0	$0
SFD-2	$241,500	1.0456%	$ 2,525.12	$ 4,175.21	$ 6,700.33	$0	$0
SFD-3	$251,500	1.0456%	$ 2,629.68	$ 4,463.88	$ 7,093.56	$1,418,713	$709,356
SFD-4	$271,500	1.0456%	$ 2,838.80	$ 4,981.79	$ 7,820.59	$735,136	$367,568
SFD-5	$291,500	1.0456%	$ 3,047.92	$ 5,290.47	$ 8,338.39	$1,309,128	$650,395
SFD-6	$300,500	1.0456%	$ 3,142.03	$ 5,799.08	$ 8,941.11	$0	$0
SFD-8	$316,500	1.0456%	$ 3,309.32	$ 7,729.53	$ 11,038.85	$827,914	$0
Courtyard	$221,500	1.0456%	$ 2,316.00	$ 3,666.61	$ 5,982.61	$544,418	$0
Townhouse	$97,500	1.0456%	$ 1,019.46	$ 3,747.67	$ 4,767.13	$672,165	$0
TOTAL NON-ADJUSTED TAXES						$5,507,474	$1,727,319
TAX ADJUSTMENTS		2.00%				$0	$69,093
TOTAL TAXES						$5,507,474	$1,796,412

The total taxes identified above are based on the inventories of lots at the beginning of the year. Property taxes for this model are increased at a rate of 2% beginning in period 2. This is the maximum increase allowed in the State of California. However, since there are unit sales in both of the periods, the total property taxes have been projected at 50% of the total payment for each year. These calculations are as follows.

Year 1 - $5,507,474 * 50%	**$2,753,737**
Year 2 - $1,796,412 * 50%	**$ 898,206**

Variable Costs

Variable costs as a function of the gross revenues have also been considered in this analysis. These costs include sales and marketing expenses, project overhead, as well as an allowance for entrepreneurial profit for the development of this project. These components are summarized as follows.

Sales and Marketing Expense

This has been included in this cash flow to account for the marketing of the project, as well as an applicable sales expense. This is difficult to quantify as the typical response from developers is that they do not include this as a line item as they own the property. However, inherent in the assumption of this cash flow are the sales of the property components enumerated throughout this report. Typical selling expenses based on commission's range from 2% to 4%. Based on these findings, the total sales and marketing expenses have been concluded at 4% of the projected gross revenues.

Project Overhead

This expenses typically includes an allowance for administration and overhead for any given project. A survey of market participants indicates that this expenses ranges from 2% to 5%. This rate depends upon the nature of the project, as well as the total size. Given the size and magnitude of this project, the total expense for project overhead has been projected at 3% of gross revenues.

Entrepreneurial Profit / Discount Rate

This model has included a line item for entrepreneurial profit as a line item. This represents the profit attainable for the development of the profit in its present condition, to a finished lot condition. This is difficult to quantify as a survey of market participants indicated a wide range of analyzing vacant properties in order to derive the feasibility of a project, as well as a typical rate of return. It was the consensus of these participants that the underlying profit for development, discount rate selection, as well as the projected internal rate of return (IRR) are all necessary factors in analyzing the potential land value, or by most developers, the maximum potential value to pay for a property.

Based on the discussions with market participants, there are certain levels of risk associated with the development of residential projects. The total size and magnitude of the subject project is higher that typical projects based on the total number of lots/units included in this project. For additional support, market surveys were reviewed for appropriate levels of entrepreneurial profit and discount rates. According to the National Land Survey prepared by PriceWaterhouseCoopers, the typical internal rates of return for land development projects ranges from 15.00% to 20.00%, including developer's profit with an average rate of 18.13%. This is identified through the fourth quarter 2003 and is well below the indicator identified for the second quarter 2003 at 20.50%. It is noted that these rates presented are based on those subject to financing.

Overall, this is the most difficult expense to project for this property. The concluded expenses for entrepreneurial profit/discount rate have considered the risk level, associated with the project, the size of the project, as well as the inclusion of market appreciation. In addition, they have been projected toward the upper end of the range as there was no financing expense provided by the developer. Discussions with market participants analyze their cash flows based on a total internal rate of return (IRR). Several of these participants indicated that the rate was near 18.0% to 22.0%, with the majority of participants indicating that a rate of 20.0% was a general rule of thumb. However, when given the project of this size and magnitude several indicated that a higher rate would be reasonable, but given the overall location and the lack of supply in the subject's area, several indicated that a 20.0% rate is still reasonable for this project.

Given these parameters, a sensitivity analysis has been applied to the subject property based on the entrepreneurial profit and the overall discount rate. These expenses have been included as follows:

Entrepreneurial Profit	4% to 8%
Discount Rate	16% to 20%

As a result of this analysis, the components noted above indicate the following conclusions of value for Phase 4 of this property on an "as is" basis.

Discount Rate Profit Component	16%	17%	18%	19%	20%
4%	$124,300,000	$122,900,000	$121,600,000	$120,200,000	$118,900,000
5%	$122,300,000	$120,900,000	$119,600,000	$118,200,000	$116,900,000
6%	$120,300,000	$118,900,000	$117,600,000	$116,200,000	**$115,000,000**
7%	$118,300,000	$116,900,000	$115,600,000	$114,300,000	$113,000,000
8%	$116,300,000	$114,900,000	$113,600,000	$112,400,000	$111,100,000

Essentially, this chart suggests that for every increase in the discount rate, there is a reduction in value by approximately $1,500,000. Increases in the allowance for entrepreneurial profit suggest differences in value by $2,000,000. Based on this matrix, as well as the factors identified in this analysis, an allowance for entrepreneurial profit of 6% of the gross sales proceeds, as well as a discount rate of 20% has been selected for this analysis. A compilation of all of the items discussed for the discounted cash flow model presented on the following page. The results of this analysis demonstrate an opinion of value for Phase 4 on an "as is" basis of **$115,000,000.**

Overall with the utilization of this line-item profit and discount rate offers the same value as the utilization of a single IRR of approximately 29.0%. This figure is above the range evidenced by the National Land Survey prepared by PriceWaterhouseCoopers, with typical internal rates of return for land development projects from 15.00% to 20.00%, including developer's profit with an average rate of 18.13%. However, the subject is generally larger in nature and does not include a line item for financing. Based on these elements, the higher IRR is expected for this property and the rate concluded for this project at 29.0% is considered reasonable.

ANNUAL DISCOUNTING Item		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
REVENUES WITH APPRECIATION							
SINGLE FAMILY DETACHED		$164,574,450	$81,023,700	$0	$0	$0	$0
TOTAL REVENUE		**$164,574,450**	**$81,023,700**	**$0**	**$0**	**$0**	**$0**
FIXED EXPENSES							
BACKBONE INFRASTRUCTURE		$27,857,414	$7,911,935	-$45,888	-$42,048		
IN-TRACT IMPROVEMENTS		$19,365,489	$8,174,925	$0	$0	$0	$0
PROPERTY TAXES		$2,753,737	$898,206	$0	$0	$0	$0
TOTAL FIXED EXPENSES		**$49,976,640**	**$16,985,066**	**-$45,888**	**-$42,048**	**$0**	**$0**
VARIABLE EXPENSES							
SALES AND MARKETING EXPENSE	4%	$6,582,978	$3,240,948	$0	$0	$0	$0
PROJECT OVERHEAD	3%	$4,937,234	$2,430,711	$0	$0	$0	$0
ENTREPRENURIAL PROFIT	6%	$9,874,467	$4,861,422	$0	$0	$0	$0
TOTAL VARIABLE EXPENSES		**$21,394,679**	**$10,533,081**	**$0**	**$0**	**$0**	**$0**
TOTAL FIXED AND VARIABLE EXPENSES		**$71,371,319**	**$27,518,147**	**-$45,888**	**-$42,048**	**$0**	**$0**
NET PROJECT REVENUE		$93,203,132	$53,505,553	$45,888	$42,048	$0	$0
NET PRESENT VALUE	20%	**$114,872,744**					
ROUNDED		**$115,000,000**					

Project Sensitivity

Discount Rate	16%	0.86207	0.74316	0.64066	0.55229	0.47611	0.41044
Net Cash Flow		$80,347,527	$39,763,342	$29,398	$23,223	$0	$0
NET PRESENT VALUE		$120,163,490					

Discount Rate	17%	0.85470	0.73051	0.62437	0.53365	0.45611	0.38984
Net Cash Flow		$79,660,796	$39,086,532	$28,651	$22,439	$0	$0
NET PRESENT VALUE		$118,798,418					

Discount Rate	18%	0.84746	0.71818	0.60863	0.51579	0.43711	0.37043
Net Cash Flow		$78,985,705	$38,426,855	$27,929	$21,688	$0	$0
NET PRESENT VALUE		$117,462,176					

Discount Rate	19%	0.84034	0.70616	0.59342	0.49867	0.41905	0.35214
Net Cash Flow		$78,321,959	$37,783,739	$27,231	$20,968	$0	$0
NET PRESENT VALUE		$116,153,897					

Discount Rate	20%	0.83333	0.69444	0.57870	0.48225	0.40188	0.33490
Net Cash Flow		$77,669,276	$37,156,634	$26,556	$20,278	$0	$0
NET PRESENT VALUE		$114,872,744					

INCOME APPROACH (DCF MODEL)
ANALYSIS OF PHASE 5
876 Detached Lots

Phase 5 is the second phase of development identified for development in this project. This phase is proposed for development in two sub-phases of 601 lots (Phase 5A) and 275 lots (Phase 5B). The following is a summary of the overall parameters utilized in this cash flow.

Revenues

The total revenues for this project are based on the distribution of lots allocated for each phase of development. The individual values for the various lot components are as follows.

Detached Components

Unit Type	Opinion of Value based on a "Finished-Lot" Status
SFD-1 – 3,150 SF Typical Lot Size	$305,000 per finished lot
SFD-2 – 3,825 SF Typical Lot Size	$325,000 per finished lot
SFD-3 – 4,050 SF Typical Lot Size	$335,000 per finished lot
SFD-4 – 4,500 SF Typical Lot Size	$355,000 per finished lot
SFD-5 – 5,500 SF Typical Lot Size	$375,000 per finished lot
SFD-6 – 6,500 SF Typical Lot Size	$384,000 per finished lot
SFD-8 – 8,050 SF Typical Lot Size	$400,000 per finished lot

Based on the mix of lot classifications within this project, the total revenues identified for Phase 4 of this project are as follows.

Unit Type	# of Units Phase 5A	# of Units Phase 5B	Total # of Units
SFD-1	0	0	0
SFD-2	114	0	114
SFD-3	173	0	173
SFD-4	98	0	98
SFD-5	136	81	217
SFD-6	80	88	168
SFD-8	0	106	106
DETACHED TOTALS	601	275	876

Based on this mix of lots to be developed within the project, as well as the indicators of value noted above, the total revenues for this phase of development are as follows.

Unit Type	# of Lots	Opinion of Value / Lot	Total
SFD-1 (3,150 sf)	0	$305,000/Lot	$0
SFD-2 (3,825 sf)	114	$325,000/Lot	$37,050,000
SFD-3 (4,050 sf)	173	$335,000/Lot	$57,955,000
SFD-4 (4,500 sf)	98	$355,000/Lot	$34,790,000
SFD-5 (5,500 sf)	217	$375,000/Lot	$81,375,000
SFD-6 (6,500 sf)	168	$384,000/Lot	$64,512,000
SFD-8 (8,050 sf)	106	$400,000/Lot	$42,400,000
Sub-Totals	**876**		**$318,082,000**

Based on the calculations above, the revenues for Phase 5 equate to $318,082,000. It should be noted that based on the total size and magnitude of this project, the cash flow is based on annual discounting.

Appreciation

The cash flows presented in this analysis include appreciation at a rate of 1.0% per annum. Based on the current market conditions for the residential uses, this market segment has been growing at a faster rate. This has the most impact on the detached residential uses as revenues increase by a total of 4% over the total absorption period projected for this project. In addition, most market participants indicated that appreciation of some form is projected over the life of this project. The impact of appreciation in the cash flow model has been consideration of the selection of an appropriate discount rate for this project.

Absorption

The absorption rate projected for this project has been concluded in the market overview section of this report. The conclusions developed by the appraisers, based on review of current market conditions were from 480 to 672 sales per annum for this project. However, consideration has also been placed on the developer's identified absorption of this project, which is based on the overall phasing of this project. Utilizing the overall range of absorption for the 2,645 lots (Market Rate) the total project is absorbed in 3.9 to 5.5 years. However, based on the level of infrastructure improvements for this property, the average absorption has been predicated over a 5-year period. This includes absorption of Phase 4 in Years 1 and 2, Phase 5A in Year 3, 4 and 5, and Phase 3 in Year 5. This demonstrates slightly lower absorption, but is generally reasonable based on the timing of the infrastructure improvements. Based on these parameters, absorption for this phase is as follows. As noted in the prior section in the analysis of Phase 4, there were 225 units sold in Period 2. Based on the overall absorption potential, there are units identified in Phase 5A, which can be absorbed in this phase of development. The following table summarizes the overall absorption projection for Phase 5.

Unit Type	Period 1	Period 2	Period 3	Period 4	TOTALS
Detached Residential					
SFD-1	0	0	0	0	**0**
SFD-2	0	57	57	0	**114**
SFD-3	0	87	86	0	**173**
SFD-4	0	49	49	0	**98**
SFD-5	0	68	68	81	**217**
SFD-6	0	40	40	88	**168**
SFD-8	0	0	0	106	**106**
Total Detached Residential	**0**	**301**	**300**	**275**	**876**

The total absorption for this phase includes a total of 876 units. Absorption for the residential lots ranges from 225 to 533 lots per annum. This generally coincides from the developer's projections, especially based on the timing of the infrastructure improvements. Revenue charts predicated on the overall timing of this phase of development are identified on the following table.

	Year 1	Year 2	Year 3	Year 4	TOTALS
SUMMARY OF BASE REVENUES WITHOUT APPRECIATION					
SFD-1	$0	$0	$0	$0	$0
SFD-2	$0	$18,525,000	$18,525,000	$0	$37,050,000
SFD-3	$0	$29,145,000	$28,810,000	$0	$57,955,000
SFD-4	$0	$17,395,000	$17,395,000	$0	$34,790,000
SFD-5	$0	$25,500,000	$25,500,000	$30,375,000	$81,375,000
SFD-6	$0	$15,360,000	$15,360,000	$33,792,000	$64,512,000
SFD-8	$0	$0	$0	$42,400,000	$42,400,000
Courtyard	$0	$0	$0	$0	$0
Townhouse	$0	$0	$0	$0	$0
TOTAL REVENUE	$0	$105,925,000	$105,590,000	$106,567,000	$318,082,000
Appreciation Factor (Per Annum) 1%	$0	$2,118,500	$3,167,700	$4,262,680	$9,548,880
TOTAL REVENUE WITH APPRECIATION	$0	$108,043,500	$108,757,700	$110,829,680	$327,630,880

Fixed Expenses

There are certain fixed expenses included in this cash flow model for "backbone" infrastructure costs, "In-Tract" costs, as well as for the property taxes over the life of this project. These items are discussed below.

Backbone Infrastructure

The "backbone" infrastructure costs reflect the costs necessary to develop the property to a "blue-top" condition. The total project costs have been summarized in the project overview section of this report. The costs are based on actual engineer's estimates for development of this project. In consideration of these costs with respect to the cash flow, they have been projected for development based on the projections provided by the developer. The proposed timing for completion is reasonable when analyzed against the projection of absorption. A summary of the infrastructure improvements for Phase 5 are as follows.

The total reported costs for this phase of development were reported at $54,129,410, including the $16,706,500 in reimbursements for the proposed assessment district. There has been $3,733,311 in costs already allocated (spent) for this phase through the end of March 2004. The remaining costs identified for this phase of development equate to $50,396,099. In addition, there are significant costs identified in this phase of the development which generally include the costs allocated for the construction of two school sites, including costs for the elementary school located in Phase 3 of this project. It was reported by the developer, that the State of California will ultimately reimburse the overall costs for this portion of the project, however, only a portion of these reimbursements were secured as of the effective date of valuation, and the developer has opted not to include these remaining offsets in the cash flow for this project.

A summary of the costs allocated to this phase of the project is as follows.

Time Reference	Total Costs
Period 1	$22,459,570
Period 2	$15,985,892
Period 3	$ 7,274,119
Period 4	($ 6,323,482)
Period 5	$ 5,500,000
Period 6	$ 5,500,000
Totals	$50,396,099

"In-Tract" Improvements

The "in-tract" improvements reflect the costs for internal development of the residential components for this project. The following table summarizes the In-tract improvements for Phase 5 of this project.

DETACHED LOTS				
Village	**Lot Size (SF)**	**# of Lots**	**Total Costs**	**Per Lot**
40/46	65' x 90' - (5,850 sf)	136	$4,982,319	$36,635
41	38' x 96' - (3,648 sf)	114	$4,675,155	$41,010
42	50' x 90' - (4,500 sf)	98	$2,762,427	$28,188
43	50' x 80' - (4,000 sf)	84	$2,535,753	$30,188
44	45' x 90' - (4,050 sf)	89	$2,799,374	$31,454
45/48	60' x 100' - (6,000 sf)	168	$6,045,957	$35,988
47	55' x 100' - (5,500 sf)	81	$3,188,380	$39,363
49	70' x 115' - (8,050 sf)	106	$3,631,188	$34,256
TOTALS		876	$30,620,553	$34,955

The total in-tract improvements for Phase 5 equate to $30,620,553 or $34,955 per lot. These costs have been included in the cash flow model based on absorption per annum. As the overall absorption included 301 units in Year 2, 300 units in Year 3, and 275 units in Year 4 the overall In-tract costs for this phase of development are as follows.

Year 2 – 301 Units * $34,955/Lot	**$10,521,455**
Year 3 – 300 Units * $34,955/Lot	**$10,486,500**
Year 4 – 275 Units * $34,955/Lot	**$ 9,612,625**

***Totals slightly vary due to rounding**

Property Taxes and Bond Repayments

As this cash flow assumes the development over time, allowances for property tax payments, as well as bond repayments are considered as a "line-item". They are considered fixed costs due to the inclusion of payments to buy-down the assessment bonds noted in the previous section. The current tax rate for the subject property is 1.0465% per $1,000 of assessed value. In addition, the bonds, direct levies, and assessments including the proposed assessment district are factored into the property tax payment. Property taxes for this model have been calculated based on a residual paper lot value. This was based on the opinion of value identified for the finished lots and subtracting the total "backbone" infrastructure costs, as well as "in-tract" costs. This resultant value was multiplied by the base tax rate of 1.0465% for the purposes of identifying the base property taxes. Calculations are as follows.

Unit Type	Opinion of Value Finished Lot	Site Costs	Value for Tax Basis
SFD-1 (3,150 sf)	$305,000	$92,500	$212,500
SFD-2 (3,825 sf)	$325,000	$92,500	$232,500
SFD-3 (4,050 sf)	$335,000	$92,500	$242,500
SFD-4 (4,500 sf)	$355,000	$92,500	$262,500
SFD-5 (5,500 sf)	$375,000	$92,500	$282,500
SFD-6 (6,500 sf)	$384,000	$92,500	$291,500
SFD-8 (8,050 sf)	$400,000	$92,500	$307,500

* Site costs total $81,016,652 ($50,396,099 "backbone" + $30,620,553 "in-tract) / 876 units = $92,485. Rounded to $92,500.)

In addition, the bonds have been identified for each land use component in the *Property Taxes and Assessments* section in this report. As such, the total base taxes identified in this model are as follows.

Unit Type	Value for Tax Basis	Base Taxes 1.0456%	Current Levies and Assessments	Proposed Assessment	Total Annual Taxes
SFD-1 (3,150 sf)	$212,500	$2,221.90	$2,776.61	$890.00	$5,888.51
SFD-2 (3,825 sf)	$232,500	$2,431.02	$3,045.21	$1,130.00	$6,606.23
SFD-3 (4,050 sf)	$242,500	$2,535.58	$3,253.88	$1,210.00	$6,999.46
SFD-4 (4,500 sf)	$262,500	$2,744.70	$3,611.79	$1,370.00	$7,726.49
SFD-5 (5,500 sf)	$282,500	$2,953.82	$3,850.47	$1,440.00	$8,244.29
SFD-6 (6,500 sf)	$291,500	$3,047.92	$4,089.08	$1,710.00	$8,847.00
SFD-8 (8,050 sf)	$307,500	$3,215.22	$5,759.53	$1,970.00	$10,944.75

Calculations of the cumulative property taxes for this project are as follows.

						Year 1	Year 2	Year 3
TAX LIABILITY DISTRIBUTION	Land Basis	Base Tax %	Base Taxes	Bonds	TOTAL			
SFD-1	$212,500	1.0456%	$ 2,221.90	$ 3,666.61	$ 5,888.51	$0	$0	$0
SFD-2	$232,500	1.0456%	$ 2,431.02	$ 4,175.21	$ 6,606.23	$753,110	$376,555	$0
SFD-3	$242,500	1.0456%	$ 2,535.58	$ 4,463.88	$ 6,999.46	$1,210,907	$601,954	$0
SFD-4	$262,500	1.0456%	$ 2,744.70	$ 4,981.79	$ 7,726.49	$757,196	$378,598	$0
SFD-5	$282,500	1.0456%	$ 2,953.82	$ 5,290.47	$ 8,244.29	$1,789,011	$1,228,399	$667,787
SFD-6	$291,500	1.0456%	$ 3,047.92	$ 5,799.08	$ 8,847.00	$1,486,297	$1,132,417	$778,536
SFD-8	$307,500	1.0456%	$ 3,215.22	$ 7,729.53	$ 10,944.75	$1,160,144	$1,160,144	$1,160,144
TOTAL NON-ADJUSTED TAXES						$7,156,664	$4,878,066	$2,606,467
TAX ADJUSTMENTS		2.00%				$0	$195,123	$156,388
TOTAL TAXES						$7,156,664	$5,073,189	$2,762,855

Variable Costs

Variable costs as a function of the gross revenues have also been considered in this analysis. These costs include sales and marketing expenses, project overhead, as well as an allowance for entrepreneurial profit for the development of this project. These components are summarized as follows.

Sales and Marketing Expense

This has been included in this cash flow to account for the marketing of the project, as well as an applicable sales expense. This is difficult to quantify as the typical response from developers is that they do not include this as a line item as they own the property. However, inherent in the assumption of this cash flow are the sales of the property components enumerated throughout this report. Typical selling expenses based on commission's range from 2% to 4%. Based on these findings, the total sales and marketing expenses have been concluded at 4% of the projected gross revenues.

Project Overhead

This expenses typically includes an allowance for administration and overhead for any given project. A survey of market participants indicates that this expenses ranges from 2% to 5%. This rate depends upon the nature of the project, as well as the total size. Given the size and magnitude of this project, the total expense for project overhead has been projected at 3% of gross revenues.

Entrepreneurial Profit / Discount Rate

This model has included a line item for entrepreneurial profit as a line item. This represents the profit attainable for the development of the profit in its present condition, to a finished lot condition. This is difficult to quantify as a survey of market participants indicated a wide range of analyzing vacant properties in order to derive the feasibility of a project, as well as a typical rate of return. It was the consensus of these participants that the underlying profit for development, discount rate selection, as well as the projected internal rate of return (IRR) are all necessary factors in analyzing the potential land value, or by most developers, the maximum potential value to pay for a property.

Based on the discussions with market participants, there are certain levels of risk associated with the development of residential projects. The total size and magnitude of the subject project is higher that typical projects based on the total number of lots/units included in this project. For additional support, market surveys were reviewed for appropriate levels of entrepreneurial profit and discount rates. According to the National Land Survey prepared by PriceWaterhouseCoopers, the typical internal rates of return for land development projects ranges from 15.00% to 20.00%, including developer's profit with an average rate of 18.13%. This is identified through the fourth quarter 2003 and is well below the indicator identified for the second quarter 2003 at 20.50%. It is noted that these rates presented are based on those subject to financing.

Overall, this is the most difficult expense to project for this property. The concluded expenses for entrepreneurial profit/discount rate have considered the risk level, associated with the project, the size of the project, as well as the inclusion of market appreciation. In addition, they have been projected toward the upper end of the range as there was no financing expense provided by the developer. Discussions with market participants analyze their cash flows based on a total internal rate of return (IRR). Several of these participants indicated that the rate was near 18.0% to 22.0%, with the majority of participants indicating that a rate of 20.0% was a general rule of thumb. However, when given the project of this size and magnitude several indicated that a higher rate would be reasonable, but given the overall location and the lack of supply in the subject's area, several indicated that a 20.0% rate is still reasonable for this project.

Given these parameters, a sensitivity analysis has been applied to the subject property based on the entrepreneurial profit and the overall discount rate. These expenses have been included as follows:

Entrepreneurial Profit	4% to 8%
Discount Rate	16% to 20%

As a result of this analysis, the components noted above indicate the following conclusions of value for Phase 5 of this property on an "as is" basis.

Discount Rate / Profit Component	16%	17%	18%	19%	20%
4%	$119,200,000	$115,800,000	$112,500,000	$109,400,000	$106,300,000
5%	$117,100,000	$113,800,000	$110,500,000	$107,400,000	$104,400,000
6%	$115,000,000	$111,700,000	$108,500,000	$105,500,000	**$102,500,000**
7%	$112,900,000	$109,700,000	$106,500,000	$103,500,000	$100,600,000
8%	$110,800,000	$107,600,000	$104,500,000	$101,500,000	$98,700,000

Essentially, this chart suggests that for every increase in the discount rate, there is a reduction in value by approximately $3,500,000. Increases in the allowance for entrepreneurial profit suggest differences in value by $2,000,000. Based on this matrix, as well as the factors identified in this analysis, an allowance for entrepreneurial profit of 6% of the gross sales proceeds, as well as a discount rate of 20% has been selected for this analysis. A compilation of all of the items discussed for the discounted cash flow model presented on the following page. The results of this analysis demonstrate an opinion of value for Phase 5 on an "as is" basis of **$102,500,000.**

Overall with the utilization of this line-item profit and discount rate offers the same value as the utilization of a single IRR of approximately 26.0%. This figure is above the range evidenced by the National Land Survey prepared by PriceWaterhouseCoopers, with typical internal rates of return for land development projects from 15.00% to 20.00%, including developer's profit with an average rate of 18.13%. However, the subject is generally larger in nature and does not include a line item for financing. Based on these elements, the higher IRR is expected for this property and the rate concluded for this project at 29.0% is considered reasonable.

ANNUAL DISCOUNTING Item		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
REVENUES WITH APPRECIATION							
SINGLE FAMILY DETACHED		$0	$108,043,500	$108,757,700	$110,829,680	$0	$0
TOTAL REVENUE		$0	$108,043,500	$108,757,700	$110,829,680	$0	$0
FIXED EXPENSES							
BACKBONE INFRASTRUCTURE		$22,459,570	$15,985,892	$7,274,119	-$6,323,482	$5,500,000	$5,500,000
IN-TRACT IMPROVEMENTS		$0	$10,521,455	$10,486,500	$9,612,625	$0	$0
PROPERTY TAXES		$7,156,664	$5,073,189	$2,762,855	$0	$0	$0
TOTAL FIXED EXPENSES		$29,616,234	$31,580,536	$20,523,474	$3,289,143	$5,500,000	$5,500,000
VARIABLE EXPENSES							
SALES AND MARKETING EXPENSE	4%	$0	$4,321,740	$4,350,308	$4,433,187	$0	$0
PROJECT OVERHEAD	3%	$0	$3,241,305	$3,262,731	$3,324,890	$0	$0
ENTREPRENURIAL PROFIT	6%	$0	$6,482,610	$6,525,462	$6,649,781	$0	$0
TOTAL VARIABLE EXPENSES		$0	$14,045,655	$14,138,501	$14,407,858	$0	$0
TOTAL FIXED AND VARIABLE EXPENSES		$29,616,234	$45,626,191	$34,661,975	$17,697,001	$5,500,000	$5,500,000
NET PROJECT REVENUE		($29,616,234)	$62,417,309	$74,095,725	$93,132,679	($5,500,000)	($5,500,000)
NET PRESENT VALUE	20%	$102,405,885					
ROUNDED		$102,500,000					

Project Sensitivity

Discount Rate	16%	0.86207	0.74316	0.64066	0.55229	0.47611	0.41044
Net Cash Flow		($25,531,236)	$46,386,229	$47,469,995	$51,436,349	($2,618,622)	($2,257,432)
NET PRESENT VALUE		$114,885,283					

Discount Rate	17%	0.85470	0.73051	0.62437	0.53365	0.45611	0.38984
Net Cash Flow		($25,313,020)	$45,596,690	$46,263,189	$49,700,258	($2,508,611)	($2,144,112)
NET PRESENT VALUE		$111,594,394					

Discount Rate	18%	0.84746	0.71818	0.60863	0.51579	0.43711	0.37043
Net Cash Flow		($25,098,503)	$44,827,140	$45,096,946	$48,036,800	($2,404,101)	($2,037,373)
NET PRESENT VALUE		$108,420,907					

Discount Rate	19%	0.84034	0.70616	0.59342	0.49867	0.41905	0.35214
Net Cash Flow		($24,887,592)	$44,076,908	$43,969,575	$46,442,357	($2,304,772)	($1,936,783)
NET PRESENT VALUE		$105,359,693					

Discount Rate	20%	0.83333	0.69444	0.57870	0.48225	0.40188	0.33490
Net Cash Flow		($24,680,195)	$43,345,354	$42,879,470	$44,913,522	($2,210,327)	($1,841,939)
NET PRESENT VALUE		$102,405,885					

INCOME APPROACH (DCF MODEL)
ANALYSIS OF PHASE 3
384 Detached Lots, 179 Condominium Lots

Phase 3 is identified toward the latter half of this project. The following is a summary of the overall parameters utilized in this cash flow.

Revenues

The total revenues for this project are based on the distribution of lots allocated for each phase of development. The individual values for the various lot components are as follows.

Detached Components

Unit Type	Opinion of Value based on a "Finished-Lot" Status
SFD-1 – 3,150 SF Typical Lot Size	$305,000 per finished lot
SFD-2 – 3,825 SF Typical Lot Size	$325,000 per finished lot
SFD-3 – 4,050 SF Typical Lot Size	$335,000 per finished lot
SFD-4 – 4,500 SF Typical Lot Size	$355,000 per finished lot
SFD-5 – 5,500 SF Typical Lot Size	$375,000 per finished lot
SFD-6 – 6,500 SF Typical Lot Size	$384,000 per finished lot
SFD-8 – 8,050 SF Typical Lot Size	$400,000 per finished lot

Attached Components

Unit Type	Opinion of Value (Status)
Townhouse Lots	$180,000 per finished townhouse site
Condominium Lots	$171,000 per finished condominium site
Multi-Family	$23,686 per superpad site

Based on the mix of lot classifications within this project, the total revenues identified for Phase 4 of this project are as follows.

Unit Type	# of Units Phase 3
SFD-1	0
SFD-2	83
SFD-3	0
SFD-4	99
SFD-5	99
SFD-6	103
SFD-8	0
DETACHED TOTALS	**384**
Condominium	179
PHASE 3 TOTALS	**563**

Based on this mix of lots to be developed within the project, as well as the indicators of value noted above, the total revenues for this phase of development are as follows.

Unit Type	# of Lots	Opinion of Value / Lot	Total
SFD-1 (3,150 sf)	0	$305,000/Lot	$0
SFD-2 (3,825 sf)	83	$325,000/Lot	$26,975,000
SFD-3 (4,050 sf)	0	$335,000/Lot	$0
SFD-4 (4,500 sf)	99	$355,000/Lot	$35,145,000
SFD-5 (5,500 sf)	99	$375,000/Lot	$37,125,000
SFD-6 (6,500 sf)	103	$384,000/Lot	$39,552,000
SFD-8 (8,050 sf)	0	$400,000/Lot	$0
Sub-Totals	**384**		**$138,797,000**
Condominium	179	$171,000/Lot	$30,609,000
Project Totals	**563**		**$169,406,000**

Based on the calculations above, the revenues for Phase 3 equate to $169,406,000. It should be noted that based on the total size and magnitude of this project, the cash flow is based on annual discounting.

Appreciation

The cash flows presented in this analysis include appreciation at a rate of 1.0% per annum. Based on the current market conditions for the residential uses, this market segment has been growing at a faster rate. This has the most impact on the detached residential uses as revenues increase by a total of 4% over the total absorption period projected for this project. In addition, most market participants indicated that appreciation of some form is projected over the life of this project. The impact of appreciation in the cash flow model has been consideration of the selection of an appropriate discount rate for this project.

Absorption

The absorption rate projected for this project has been concluded in the market overview section of this report. The conclusions developed by the appraisers, based on review of current market conditions were from 480 to 672 sales per annum for this project. However, consideration has also been placed on the developer's identified absorption of this project, which is based on the overall phasing of this project. Utilizing the overall range of absorption for the 2,645 lots (Market Rate) the total project is absorbed in 3.9 to 5.5 years. However, based on the level of infrastructure improvements for this property, the average absorption has been predicated over a 5-year period. This includes absorption of Phase 4 in Years 1 and 2, Phase 5A in Year 3, 4 and 5, and Phase 3 in Year 5. This demonstrates slightly lower absorption, but is generally reasonable based on the timing of the infrastructure improvements. Based on these parameters, absorption for this phase is as follows. As noted in the prior section in the analysis of Phase 5A, there were 300 units sold in Period 3. Based on the overall absorption potential, there are units identified in Phase 3, which can be absorbed in this phase of development. The following table summarizes the overall absorption projection for Phase 3.

Unit Type	Period 1	Period 2	Period 3	Period 4	TOTALS
Detached Residential					
SFD-1	0	0	0	0	**0**
SFD-2	0	0	42	41	**83**
SFD-3	0	0	0	0	**0**
SFD-4	0	0	50	49	**99**
SFD-5	0	0	50	49	**99**
SFD-6	0	0	52	51	**103**
SFD-8	0	0	0	0	**0**
Total Detached Residential	**0**	**0**	**194**	**190**	**384**
Condominiums	0	0	90	89	**179**
TOTAL ABSORPTION	**0**	**0**	**284**	**279**	**563**

The total absorption for this phase includes a total of 856 units. Revenue charts predicated on the overall timing of this phase of development are identified on the following table.

		Year 1	Year 2	Year 3	Year 4	TOTALS
SUMMARY OF BASE REVENUES WITHOUT APPRECIATION						
SFD-1		$0	$0	$0	$0	$0
SFD-2		$0	$0	$13,650,000	$13,325,000	$26,975,000
SFD-3		$0	$0	$0	$0	$0
SFD-4		$0	$0	$17,750,000	$17,395,000	$35,145,000
SFD-5		$0	$0	$18,750,000	$18,375,000	$37,125,000
SFD-6		$0	$0	$19,968,000	$19,584,000	$39,552,000
SFD-8		$0	$0	$0	$0	$0
Condominium		$0	$0	$15,390,000	$15,219,000	$30,609,000
TOTAL REVENUE		$0	$0	$85,508,000	$83,898,000	$169,406,000
Appreciation Factor (Per Annum)	1%	$0	$0	$2,565,240	$3,355,920	$5,921,160
TOTAL REVENUE WITH APPRECIATION		$0	$0	$88,073,240	$87,253,920	$175,327,160

Fixed Expenses

There are certain fixed expenses included in this cash flow model for "backbone" infrastructure costs, "In-Tract" costs, as well as for the property taxes over the life of this project. These items are discussed below.

Backbone Infrastructure

The "backbone" infrastructure costs reflect the costs necessary to develop the property to a "blue-top" condition. The total project costs have been summarized in the project overview section of this report. The costs are based on actual engineer's estimates for development of this project. In consideration of these costs with respect to the cash flow, they have been projected for development based on the projections provided by the developer. The proposed timing for completion is reasonable when analyzed against the projection of absorption. A summary of the infrastructure improvements for Phase 3 are as follows.

The total reported costs for this phase of development were reported at $81,740,271, including the $966,400 in reimbursements for the proposed assessment district. Also, these costs are reduced by $2,100,000, which represents the portion of "backbone" infrastructure costs allocated toward the multi-family component for this project. There has been $17,666,272 in costs already allocated (spent) for this phase through the end of March 2004. The remaining costs identified for this phase of development equate to $61,973,999. In addition, there are significant costs identified in this phase of the development which generally include the costs allocated for the construction of the high school site. It was reported by the developer, that the State of California will ultimately reimburse the overall costs for this portion of the project, however, only a portion of these reimbursements were secured as of the effective date of valuation, and the developer has opted not to include these remaining offsets in the cash flow for this project.

A summary of the costs allocated to this phase of the project is as follows.

Time Reference	Total Costs
Period 1	$ 8,058,281
Period 2	$ 6,824,764
Period 3	$20,308,321
Period 4	$ 9,775,107
Period 5	$ 8,741,908
Period 6	$ 8,265,618
Totals	$61,673,999

"In-Tract" Improvements

The "in-tract" improvements reflect the costs for internal development of the residential components for this project. The following table summarizes the In-tract improvements for Phase 5 of this project.

DETACHED LOTS				
Village	Lot Size (SF)	# of Lots	Total Costs	Per Lot
28	45' x 85' - (3,825 sf)	83	$2,498,627	$30,104
29	50' x 90' - (4,500 sf)	99	$3,440,320	$34,751
30	55' x 100' - (5,500 sf)	99	$3,360,152	$33,941
31	60' x 100' - (6,000 sf)	103	$3,681,822	$35,746
TOTALS		384	$12,980,921	$33,804

The total in-tract improvements for Phase 3 equate to $12,980,921 or approximately $33,804 per lot. In addition, the additional in-tract costs identified for the condominium site have been projected at a similar cost as identified for the townhouses. These costs equate to $43,282 per lot, or $7,747,478 overall. Added to the costs above, the total in-tract costs for Phase 3, equate to $20,728,399 or $36,818 per lot. As the overall absorption included 284 units in Year 3 (Detached + Condominium) and 279 units in Year 4, the overall In-tract costs for this phase of development are as follows.

Year 3 – 284 Units * $36,818/Lot	**$10,456,312**
Year 4 – 279 Units * $34,048/Lot	**$10,057,392**

***Totals slightly vary due to rounding**

Property Taxes and Bond Repayments

As this cash flow assumes the development over time, allowances for property tax payments, as well as bond repayments are considered as a "line-item". They are considered fixed costs due to the inclusion of payments to buy-down the assessment bonds noted in the previous section. The current tax rate for the subject property is 1.0465% per $1,000 of assessed value. In addition, the bonds, direct levies, and assessments including the proposed assessment district are factored into the property tax payment. Property taxes for this model have been calculated based on a residual paper lot value. This was based on the opinion of value identified for the finished lots and subtracting the total "backbone" infrastructure costs, as well as "in-tract" costs. This resultant value was multiplied by the base tax rate of 1.0465% for the purposes of identifying the base property taxes. Calculations are as follows.

Unit Type	Opinion of Value Finished Lot	Site Costs	Value for Tax Basis
SFD-1 (3,150 sf)	$305,000	$145,000	$160,000
SFD-2 (3,825 sf)	$325,000	$145,000	$180,000
SFD-3 (4,050 sf)	$335,000	$145,000	$190,000
SFD-4 (4,500 sf)	$355,000	$145,000	$210,000
SFD-5 (5,500 sf)	$375,000	$145,000	$230,000
SFD-6 (6,500 sf)	$384,000	$145,000	$239,000
SFD-8 (8,050 sf)	$400,000	$145,000	$255,000
Condominium	$171,000	$145,000	$26,000

* Site costs total $82,402,398 ($61,673,999 "backbone" + $20,728,399 "in-tract) / 563 units = $146,363. Rounded to $145,000.)

In addition, the bonds have been identified for each land use component in the *Property Taxes and Assessments* section in this report. As such, the total base taxes identified in this model are as follows.

Unit Type	Value for Tax Basis	Base Taxes 1.0456%	Current Levies and Assessments	Proposed Assessment	Total Annual Taxes
SFD-1 (3,150 sf)	$160,000	$1,672.96	$2,776.61	$890.00	**$5,339.57**
SFD-2 (3,825 sf)	$180,000	$1,882.08	$3,045.21	$1,130.00	**$6,057.29**
SFD-3 (4,050 sf)	$190,000	$1,986.64	$3,253.88	$1,210.00	**$6,450.52**
SFD-4 (4,500 sf)	$210,000	$2,195.76	$3,611.79	$1,370.00	**$7,177.55**
SFD-5 (5,500 sf)	$230,000	$2,404.88	$3,850.47	$1,440.00	**$7,695.35**
SFD-6 (6,500 sf)	$239,000	$2,498.98	$4,089.08	$1,710.00	**$8,298.06**
SFD-8 (8,050 sf)	$255,000	$2,666.28	$5,759.53	$1,970.00	**$10,395.81**
Condominium	$26,000	$271.86	$2,537.99	$530.00	**$3,339.85**

Calculations of the cumulative property taxes for this project are as follows.

						Year 1	Year 2	Year 3
TAX LIABILITY DISTRIBUTION	Land Basis	Base Tax %	Base Taxes	Bonds	TOTAL			
SFD-1	$160,000	1.0456%	$ 1,672.96	$ 3,666.61	$ 5,339.57	$0	$0	$0
SFD-2	$180,000	1.0456%	$ 1,882.08	$ 4,175.21	$ 6,057.29	$502,755	$502,755	$248,349
SFD-3	$190,000	1.0456%	$ 1,986.64	$ 4,463.88	$ 6,450.52	$0	$0	$0
SFD-4	$210,000	1.0456%	$ 2,195.76	$ 4,981.79	$ 7,177.55	$710,577	$710,577	$351,700
SFD-5	$230,000	1.0456%	$ 2,404.88	$ 5,290.47	$ 7,695.35	$761,840	$761,840	$377,072
SFD-6	$239,000	1.0456%	$ 2,498.98	$ 5,799.08	$ 8,298.06	$854,701	$854,701	$423,201
SFD-8	$255,000	1.0456%	$ 2,666.28	$ 7,729.53	$ 10,395.81	$0	$0	$0
Condominium	$26,000	1.0456%	$ 271.86	$ 3,067.99	$ 3,339.85	$597,832	$597,832	$0
TOTAL NON-ADJUSTED TAXES						$2,829,873	$2,829,873	$1,400,322
TAX ADJUSTMENTS		2.00%				$0	$113,195	$84,019
TOTAL TAXES						$2,829,873	$2,943,068	$1,484,342

The total taxes identified above are based on the inventories of lots at the beginning of the year. Property taxes for this model are increased at a rate of 2% beginning in period 2. This is the maximum increase allowed in the State of California.

Variable Costs

Variable costs as a function of the gross revenues have also been considered in this analysis. These costs include sales and marketing expenses, project overhead, as well as an allowance for entrepreneurial profit for the development of this project. These components are summarized as follows.

Sales and Marketing Expense

This has been included in this cash flow to account for the marketing of the project, as well as an applicable sales expense. This is difficult to quantify as the typical response from developers is that they do not include this as a line item as they own the property. However, inherent in the assumption of this cash flow are the sales of the property components enumerated throughout this report. Typical selling expenses based on commission's range from 2% to 4%. Based on these findings, the total sales and marketing expenses have been concluded at 4% of the projected gross revenues.

Project Overhead

This expenses typically includes an allowance for administration and overhead for any given project. A survey of market participants indicates that this expenses ranges from 2% to 5%. This rate depends upon the nature of the project, as well as the total size. Given the size and magnitude of this project, the total expense for project overhead has been projected at 3% of gross revenues.

Entrepreneurial Profit / Discount Rate

This model has included a line item for entrepreneurial profit as a line item. This represents the profit attainable for the development of the profit in its present condition, to a finished lot condition. This is difficult to quantify as a survey of market participants indicated a wide range of analyzing vacant properties in order to derive the feasibility of a project, as well as a typical rate of return. It was the consensus of these participants that the underlying profit for development, discount rate selection, as well as the projected internal rate of return (IRR) are all necessary factors in analyzing the potential land value, or by most developers, the maximum potential value to pay for a property.

Based on the discussions with market participants, there are certain levels of risk associated with the development of residential projects. The total size and magnitude of the subject project is higher that typical projects based on the total number of lots/units included in this project. For additional support, market surveys were reviewed for appropriate levels of entrepreneurial profit and discount rates. According to the National Land Survey prepared by PriceWaterhouseCoopers, the typical internal rates of return for land development projects ranges from 15.00% to 20.00%, including developer's profit with an average rate of 18.13%. This is identified through the fourth quarter 2003 and is well below the indicator identified for the second quarter 2003 at 20.50%. It is noted that these rates presented are based on those subject to financing.

Overall, this is the most difficult expense to project for this property. The concluded expenses for entrepreneurial profit/discount rate have considered the risk level, associated with the project, the size of the project, as well as the inclusion of market appreciation. In addition, they have been projected toward the upper end of the range as there was no financing expense provided by the developer. Discussions with market participants analyze their cash flows based on a total internal rate of return (IRR). Several of these participants indicated that the rate was near 18.0% to 22.0%, with the majority of participants indicating that a rate of 20.0% was a general rule of thumb. However, when given the project of this size and magnitude several indicated that a higher rate would be reasonable, but given the overall location and the lack of supply in the subject's area, several indicated that a 20.0% rate is still reasonable for this project.

Given these parameters, a sensitivity analysis has been applied to the subject property based on the entrepreneurial profit and the overall discount rate. These expenses have been included as follows:

Entrepreneurial Profit	4% to 8%
Discount Rate	16% to 20%

As a result of this analysis, the components noted above indicate the following conclusions of value for Phase 3 of this property on an "as is" basis.

Discount Rate Profit Component	16%	17%	18%	19%	20%
4%	$37,300,000	$36,000,000	$34,800,000	$33,600,000	$32,500,000
5%	$36,300,000	$35,000,000	$33,800,000	$32,600,000	$31,500,000
6%	$35,200,000	$34,000,000	$32,800,000	$31,700,000	$30,600,000
7%	$34,200,000	$33,000,000	$31,900,000	$30,700,000	$29,700,000
8%	$33,100,000	$32,000,000	$30,800,000	$29,800,000	$28,700,000

Essentially, this chart suggests that for every increase in the discount rate, there is a reduction in value by approximately $1,000,000. Increases in the allowance for entrepreneurial profit suggest differences in value by $1,000,000. Based on this matrix, as well as the factors identified in this analysis, an allowance for entrepreneurial profit of 6% of the gross sales proceeds, as well as a discount rate of 20% has been selected for this analysis. A compilation of all of the items discussed for the discounted cash flow model presented on the following page. The results of this analysis demonstrate an opinion of value for Phase 3 on an "as is" basis of **$30,600,000.**

Overall with the utilization of this line-item profit and discount rate offers the same value as the utilization of a single IRR of approximately 26.0%. This figure is above the range evidenced by the National Land Survey prepared by PriceWaterhouseCoopers, with typical internal rates of return for land development projects from 15.00% to 20.00%, including developer's profit with an average rate of 18.13%. However, the subject is generally larger in nature and does not include a line item for financing. Based on these elements, the higher IRR is expected for this property and the rate concluded for this project at 29.0% is considered reasonable.

ANNUAL DISCOUNTING Item		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
REVENUES WITH APPRECIATION							
SINGLE FAMILY DETACHED		$0	$0	$88,073,240	$87,253,920	$0	$0
TOTAL REVENUE		$0	$0	$88,073,240	$87,253,920	$0	$0
FIXED EXPENSES							
BACKBONE INFRASTRUCTURE		$8,058,281	$6,824,764	$20,308,321	$9,775,107	$8,741,908	$8,265,618
IN-TRACT IMPROVEMENTS		$0	$0	$10,456,312	$10,057,392	$0	$0
PROPERTY TAXES		$2,829,873	$2,943,068	$1,484,342	$0	$0	$0
TOTAL FIXED EXPENSES		$10,888,154	$9,767,832	$32,248,975	$19,832,499	$8,741,908	$8,265,618
VARIABLE EXPENSES							
SALES AND MARKETING EXPENSE	4%	$0	$0	$3,522,930	$3,490,157	$0	$0
PROJECT OVERHEAD	3%	$0	$0	$2,642,197	$2,617,618	$0	$0
ENTREPRENURIAL PROFIT	6%	$0	$0	$5,284,394	$5,235,235	$0	$0
TOTAL VARIABLE EXPENSES		$0	$0	$11,449,521	$11,343,010	$0	$0
TOTAL FIXED AND VARIABLE EXPENSES		$10,888,154	$9,767,832	$43,698,496	$31,175,509	$8,741,908	$8,265,618
NET PROJECT REVENUE		($10,888,154)	($9,767,832)	$44,374,744	$56,078,411	($8,741,908)	($8,265,618)
NET PRESENT VALUE	20%	$30,585,822					
ROUNDED		$30,600,000					

Project Sensitivity

Discount Rate	16%	0.86207	0.74316	0.64066	0.55229	0.47611	0.41044
Net Cash Flow		($9,386,339)	($7,259,090)	$28,429,020	$30,971,607	($4,162,136)	($3,392,559)
NET PRESENT VALUE		$35,200,503					

Discount Rate	17%	0.85470	0.73051	0.62437	0.53365	0.45611	0.38984
Net Cash Flow		($9,306,114)	($7,135,533)	$27,706,284	$29,926,247	($3,987,282)	($3,222,257)
NET PRESENT VALUE		$33,981,344					

Discount Rate	18%	0.84746	0.71818	0.60863	0.51579	0.43711	0.37043
Net Cash Flow		($9,227,249)	($7,015,105)	$27,007,839	$28,924,621	($3,821,169)	($3,061,846)
NET PRESENT VALUE		$32,807,092					

Discount Rate	19%	0.84034	0.70616	0.59342	0.49867	0.41905	0.35214
Net Cash Flow		($9,149,709)	($6,897,699)	$26,332,675	$27,964,551	($3,663,291)	($2,910,674)
NET PRESENT VALUE		$31,675,853					

Discount Rate	20%	0.83333	0.69444	0.57870	0.48225	0.40188	0.33490
Net Cash Flow		($9,073,461)	($6,783,216)	$25,679,829	$27,043,987	($3,513,177)	($2,768,139)
NET PRESENT VALUE		$30,585,822					

RECONCILIATION – MARKET VALUE "AS IS"
Individual Phases of Development
Phases 4, 3 and 5

The income approach to value was the only approach to value performed for this project. The opinions of value are based on the overall project timing. Essentially, the value for Phase 4 reflects the current nature of development for this project in terms of absorption, whereas Phases 3 and 5 have absorption in the future based on the overall project timing.

Based on all pertinent data described herein, our opinion of the market value, "As is" for each individual phase, subject to the contingent and limiting conditions, as well as the special assumptions as of the effective date of valuation, April 21, 2004, is as follows:

Phase 4

ONE HUNDRED FIFTEEN MILLION DOLLARS
($115,000,000)

Phase 3

THIRTY MILLION SIXTY HOUSAND DOLLARS
($30,600,000)

Phase 5

ONE HUNDRED TWO MILLION DOLLARS
($102,000,000)

Opinion of Marketing / Exposure Time

The opinion of probable marketing and exposure time is generally the same as indicated previously. Potential buyers of this property will need access to capital and are most likely to be publicly traded companies. Based on the nature of this project, it is reasonable to assume multiple developers, acting as a single entity based on the total number of units. The market participants surveyed in this analysis were favorable toward this project and most stated willingness to develop homes in this project. For this analysis, a marketing and exposure period of 9 months has been projected for this phase of development. Based on current market conditions, this appears reasonable for this phase of development.

Addenda

Engagement Letter

Qualifications of the Appraiser

Preliminary Title Report

Backbone and In-Tract Budgets

Planning Application

Phase 4 Residual Calculations

Phase 2 Final Maps

Bond Analysis Summary

Detailed Cost Estimates for Community Facilities District No. 2004 – 2

Competing Project Photographs

Qualifications of the Appraiser

John E. Carrothers

State Certification #AG014187

SUMMARY

Certified General Appraiser with over ten years of appraisal experience in Sacramento, Placer, Solano, Sutter, Yolo, Stanislaus, Contra Costa and Alameda Counties. Extensive experience focusing on the analysis of residential subdivisions over the past five years.

Property types valued and analyzed include the following:

- *Single & Multi-Family Residential*
- *Commercial (Retail and Industrial)*
- *Subdivision (Feasibility and Valuation)*
- *Vacant Land (Improved and Unimproved*
- *Right of Way and Easement Valuation*

EXPERIENCE

1998 - Present	Manager/Sr. Appraiser	Smith & Associates, Inc.
1991 - 1998	Staff Appraiser	Smith Denton Associates, Inc.
1990 - 1991	Staff Appraiser	Professional Appraisal Services, Inc.

EDUCATION

Bachelor of Science Degree *University of California at Davis*

Appraisal Institute Courses:
Real Estate Appraisal Principles; Valuation Procedures; Capitalization Theory and Techniques, A; Capitalization Theory and Techniques, B; Farm Valuation Seminar; Standards of Professional Practice A and B; Real Estate Principles; Subdivision Analysis; Assessment Bond Mello Roos Seminar

AFFILIATIONS

Appraisal Institute Candidate #M940273

STATE OF CALIFORNIA

Business, Transportation & Housing Agency

OFFICE OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

OREA APPRAISER IDENTIFICATION NUMBER AG014187

JOHN E. CARROTHERS

has successfully met the requirements for a license as a general real estate appraiser in the State of California and is, therefore, entitled to use the title "Certified General Real Estate Appraiser".

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

OFFICE OF REAL ESTATE APPRAISERS

Anthony F. Majewski

Date Issued: April 12, 2003

Date Expires: April 11, 2005

Audit No. 46138

Dennis L. Smith, MAI

State Certification #AG002792

SUMMARY

Over twenty-eight years of appraisal experience in northern California. Areas of emphasis include Alameda, Contra Costa, Santa Clara, Solano and Sacramento Counties.

Property types valued and analyzed include the following:

- *Single and Multi-Family Residential*
- *Vacant Land (Improved and Unimproved)*
- *Commercial (Retail, Industrial and Office)*
- *Subdivision (Feasibility and Valuation)*
- *Rental and Market Surveys*
- *Base Closure Appraisals*

WORK HISTORY

1998 - Present	Owner	Smith & Associates, Inc.
1985 - 1998	Owner/Partner	Smith Denton Associates, Inc.
1983 - 1985	Owner/Partner	Cypress Valuation Group, Inc.
1980 - 1983	Owner	Smith Associates
1979 - 1980	Staff Appraiser	T.A. Burns Company
1972 - 1979	Asst. V.P.	Bank of America, Appraisal Dept.

EDUCATION

Bachelor of Arts, Industrial Technology — *Cal. State University, Chico*

Appraisal Institute / AIREA Courses: Principals and Practice of Real Estate; Capitalization Theory Part B (Exam 1B-B); Case Studies in Real Estate Valuation; Industrial Valuation; Valuation Analysis & Report Writing (Exam 2-2); Demonstration Appraisal Report; Preparation and Use of the UCIAR Form; Valuation of Leases; Subdivision Analysis; Easement Valuation; Appraisal Regulations of the Federal Banking Agencies; Standards of Professional Practice, Parts A & B; Highest and Best Use and market Analysis - course 520; Appraisal Practices for Litigation; Eminent Domain; Federal and State Laws and Regulations Workshop

SREA and College Coursework: Introduction to Appraising Real Property; Principles of Income Property Appraising; Legal Aspects of Real Estate; Real Estate Economics; Real Estate Financing

AFFILIATIONS

FNMA Level IV Classification #1131111
The Appraisal Institute, MAI #7954
Approved by the Department of Corporation, State of California
Qualified as Legal Expert Witness - Contra Costa, Alameda, Napa and Sacramento Counties

STATE OF CALIFORNIA

Business, Transportation & Housing Agency

OFFICE OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

OREA APPRAISER IDENTIFICATION NUMBER AG002792

DENNIS L. SMITH

has successfully met the requirements for a license as a general real estate appraiser in the State of California and is, therefore, entitled to use the title "Certified General Real Estate Appraiser".

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

OFFICE OF REAL ESTATE APPRAISERS

Anthony F. Majewski

Date Issued: February 2, 2004

Date Expires: February 1, 2006

Audit No. 54024

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APPENDIX D

SUMMARY OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the text of the Indenture for the complete terms thereof.

Definitions

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary:

"Acquisition Agreement" means the Acquisition Agreement, dated as of June 1, 2004, between the Authority and Windemere BLC, as originally executed and as it may be amended from time to time.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 et seq. of the California Government Code.

"Administrative Expenses" means costs directly related to the administration of the District consisting of the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the Chief Financial Officer or designee thereof or both) and the costs of collecting the Special Taxes (whether by the County, the Authority or otherwise); the costs of remitting the Special Taxes to the Trustee; fees and costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs of the Authority, or any designee of either the Authority of complying with the disclosure provisions of the Act, the Continuing Disclosure Agreement and the Indenture, including those related to public inquiries regarding the Special Tax and disclosures to Bondowners and the Original Purchaser; the costs of the Authority, the County or any designee of either the Authority or the County related to an appeal of the Special Tax; any amounts required to be rebated to the federal government in order for the Authority to comply with the Indenture; an allocable share of the salaries of the Authority staff directly related to the foregoing and a proportionate amount of Authority general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the Authority for any administrative purpose of the District, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure compliance with the Indenture, administrative costs related to the administration of any joint community facilities agreement regarding the District, and the costs of commencing and pursuing foreclosure of delinquent Special Taxes.

"Administrative Expense Fund" means the fund by that name established by the Indenture.

"Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of the provisions of the Indenture providing for mandatory sinking payments), and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year pursuant to the Indenture).

"Auditor" means the auditor-controller of the County.

"Authority Attorney" means any attorney or firm of attorneys employed by the Authority in the capacity of counsel to the Authority.

"Authorized Officer" means the Chair, Chief Financial Officer, Secretary or any other officer or employee authorized by the Executive Committee of the Board of Directors of the Authority or by an Authorized Officer to undertake the action referenced in the Indenture as required to be undertaken by an Authorized Officer.

"Bond Counsel" means (i) Quint & Thimmig LLP, or (ii) any other attorney or firm of attorneys acceptable to the Authority and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond Fund" means the fund by that name established under the Indenture.

"Bond Register" means the books for the registration and transfer of Bonds maintained by the Trustee under the Indenture.

"Bond Year" means the one-year period beginning September 2nd in each year and ending on September 1st in the following year, except that the first Bond Year shall begin on the Closing Date and end on September 1, 2004.

"Bonds" means the 2004 Bonds, and, if the context requires, any Parity Bonds, at any time Outstanding under the Indenture or any Supplemental Indenture.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Trustee has its principal corporate trust office are authorized or obligated by law or executive order to be closed.

"CDIAC" means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereto.

"Capitalized Interest Account" means the account by that name established within the Bond Fund by the Indenture.

"Chief Financial Officer" means the Chief Financial Officer of the Authority or such other officer or employee of the Authority performing the functions of the chief financial officer of the Authority.

"Closing Date" means the date upon which there is a physical delivery of the 2004 Bonds in exchange for the amount representing the purchase price of the 2004 Bonds by the Original Purchaser.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Continuing Disclosure Agreement" shall mean that certain Continuing Disclosure Certificate executed by the Authority and BNY Western Trust Company, as dissemination agent, on the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means items of expense payable or reimbursable directly or indirectly by the Authority and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees and charges of the Trustee including its first annual administration fee, expenses incurred by the Authority in connection with the issuance of the Bonds and the establishment of the District, special tax consultant fees and expenses, preliminary engineering fees and expenses, Bond (underwriter's) discount, legal fees and charges, including bond counsel, disclosure counsel, financial consultants' fees, charges for execution, transportation and safekeeping of the Bonds, landowner expenses related to the District formation, Authority costs related to the District formation, and other costs, charges and fees in connection with the foregoing.

"Costs of Issuance Fund" means the fund by that name established by the Indenture.

"County" means the County of Contra Costa, California.

"Debt Service" means the scheduled amount of interest and amortization of principal payable (including sinking payment installments) on the 2004 Bonds and the scheduled amount of interest and amortization of principal payable on any Parity Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to the Indenture.

"District" means the ABAG Finance Authority For Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere), formed by the Authority under the Act and the Resolution of Formation.

"District Value" means the market value, as of the date of the appraisal described below and/or the date of the most recent County real property tax roll, as applicable, of all parcels of real property in the District subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the "Appraiser") selected by the Authority, or (ii), in the alternative, the assessed value of all such nondelinquent parcels and improvements thereon as shown on the then current County real property tax roll available to the Chief Financial Officer. It is expressly acknowledged that, in determining the District Value, the Authority may rely on an appraisal to determine the value of some or all of the parcels in the District and/or the most recent County real property tax roll as to the value of some or all of the parcels in the District. Neither the Authority nor the Chief Financial Officer shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

"Event of Default" means the occurrence of one or more of the events described as such in the Indenture.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Authority Investment Fund of the State of California but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Trustee: (i) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons; or (ii) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration, (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

"Fiscal Year" means any twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"Improvement Fund" means the fund by that name created by and held by the Indenture.

"Indenture" means the Indenture, as it may be amended or supplemented from time to time by any Supplemental Indenture adopted pursuant to the provisions thereof.

"Independent Financial Consultant" means any consultant or firm of such consultants appointed by the Authority or the Chief Financial Officer, and who, or each of whom: (i) has experience in matters relating to the issuance and/or administration of bonds under the Act; (ii) is in fact independent and not under the domination of the Authority; (iii) does not have any substantial interest, direct or indirect, with or in the Authority, or any owner of real property in the District, or any real property in the District; and (iv) is not connected with the Authority as an officer or employee of the Authority, but who may be regularly retained to make reports to the Authority.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service", 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service", 65 Broadway, 16th Floor, New York, New York 10006; Moody's Investors Service "Municipal and Government", 99 Church Street, New York, New York 10007, Attention: Municipal News Reports; Standard & Poor's Corporation "Called Bond Record", 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the Authority may designate in an Officer's Certificate delivered to the Trustee.

"Interest Payment Dates" means March 1 and September 1 of each year, commencing September 1, 2004.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

"Moody's" means Moody's Investors Service, and any successor thereto.

"Officer's Certificate" means a written certificate of the Authority signed by an Authorized Officer of the Authority.

"Ordinance" means any ordinance of the Authority levying the Special Taxes.

"Original Purchaser" means Stone & Youngberg LLC, the first purchaser of the 2004 Bonds from the Authority.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds except: (i) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Indenture; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Authority pursuant to the Indenture or any Supplemental Indenture.

"Owner" or "Bondowner" means any person who shall be the registered owner of any Outstanding Bond.

"Parity Bonds" means bonds issued by the Authority for the District on a parity with any then Outstanding Bonds pursuant to the Indenture.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Indenture.

"Permitted Investments" means any of the following, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities.

(b) Time certificates of deposit or negotiable certificates of deposit issued by a state or nationally chartered bank (including the Trustee and its affiliates) or trust company, or a state or federal savings and loan association; provided, that the certificates of deposit shall be one or more of the following: continuously and fully insured by the Federal Deposit Insurance Corporation, and/or continuously and fully secured by securities described in subdivision (a) of this definition of Permitted Investments which shall have a market value, as determined on a marked-to-market basis calculated at least weekly, and exclusive of accrued interest, of not less than 102 percent of the principal amount of the certificates on deposit.

(c) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by either Moody's or S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars ($500,000,000) and that have an "A" or higher rating for the issuer's debentures, other than commercial paper, by either Moody's or S&P, provided that purchases of eligible commercial paper may not exceed 180 days' maturity nor represent more than 10 percent of the outstanding commercial paper of an issuing corporation.

(d) A repurchase agreement with a state or nationally charted bank or trust company or a national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, provided that all of the following conditions are satisfied: (1) the agreement is secured by any one or more of the securities described in subdivision (a) of this definition of Permitted Investments, (2) the underlying securities are required by the repurchase agreement to be held by a bank, trust company, or primary dealer having a combined capital and surplus of at least one hundred million dollars ($100,000,000) and which is independent of the issuer of the repurchase agreement, and (3) the underlying securities are maintained at a market value, as determined on a marked-to-market basis calculated at least weekly, of not less than 103 percent of the amount so invested.

(e) An investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution (not including any insurance company) the long-term unsecured obligations of which are rated "AA" (or its equivalent) or better by Moody's and S&P at the time of initial investment. The investment agreement shall be subject to a downgrade provision with at least the following requirements: (1) the agreement shall provide that within five Business Days after the financial institution's long-term unsecured credit rating has been withdrawn, suspended, other than because of general withdrawal or suspension by Moody's or S&P from the practice of rating that debt, or reduced below "AA-" by S&P or below "Aa3" by Moody's (these events are called "rating downgrades") the financial institution shall give notice to the Trustee and, within the five-day period, and for as long as the rating downgrade is in effect, shall (A) deliver in the name of the Trustee to the Trustee federal securities allowed as investments under subdivision (a) of this definition of Permitted Investments with aggregate current market value equal to at least 105 percent of the principal amount of the investment agreement invested with the financial institution at that time, and shall deliver additional allowed federal securities as needed to maintain an aggregate current market value equal to at least 105 percent of the principal amount of the investment agreement within three days after each evaluation date, which shall be at least weekly, (B) assign the agreement to another financial institution acceptable to the Trustee and the Authority whose long-term unsecured debt obligations are then rated "A" (or its equivalent) or better by Moody's and S&P, or (C) return all invested funds to the Trustee; and (2) the agreement shall provide that, if the financial institution's long-term unsecured credit rating is reduced below "A3" by Moody's or below "A-" by S&P, the Trustee may, upon not more than five Business Days' written notice to the financial institution, withdraw the investment agreement, with accrued but unpaid interest thereon to the date, and terminate the agreement.

(f) The Local Agency Investment Account of the State Treasurer of the State of California as permitted by the State Treasurer pursuant to Section 16429.1 of the California Government Code.

(g) Investments in a money market account (including any accounts of the Trustee or its affiliates) rated in the highest rating category by Moody's or S&P.

"Principal Office" means the principal corporate trust office of the Trustee set forth in the Indenture, except for the purpose of maintenance of the registration books and presentation of Bonds for payment, transfer or exchange, such term shall mean the office at which the Trustee conducts its corporate agency business, or such other or additional offices as may be designated by the Trustee.

"Project" means the facilities eligible to be funded by the District more particularly described in the Resolution of Formation.

"Qualified Reserve Fund Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met: (a) the long-term credit rating or claims paying ability of such bank or insurance company is in one of the two highest rating categories (without regard to modifiers) by S&P and Moody's; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder for the purpose of making payments required pursuant to the Reserve Fund provisions of the Indenture.

"Record Date" means the fifteenth day of the month next preceding the month of the applicable Interest Payment Date, whether or not such day is a Business Day.

"Refunding Bonds" means bonds issued by the Authority for the District the net proceeds of which are used to refund all or a portion of the then Outstanding Bonds; provided that the debt service on the Refunding Bonds in any Bond Year is not in excess of the debt service on the Bonds being refunded and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

"Reserve Fund" means the fund by that name established pursuant to the Indenture.

"Reserve Requirement" means, as of any date of calculation an amount equal to the least of (i) the then Maximum Annual Debt Service, (ii) one hundred twenty-five percent (125%) of the then average Annual Debt Service, or (iii) ten percent (10%) of the then Outstanding principal amount of the Bonds.

"Resolution" means Resolution No. 04-19, adopted by the Executive Committee of the Board of Directors of the Authority on May 24, 2004.

"Resolution of Formation" means Resolution No. 04-15, adopted by the Executive Committee of the Board of Directors of the Authority on May 24, 2004.

"Resolution of Intention" means Resolution No. 04-09, adopted by the Executive Committee of the Board of Directors of the Authority on April 23, 2004.

"S&P" means Standard & Poor's Ratings Service, a division of McGraw-Hill, and any successor thereto.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in an Officer's Certificate delivered to the Trustee.

"2004 Bonds" means the Bonds so designated and authorized to be issued under the Indenture.

"Special Tax Fund" means the fund by that name established by the Indenture.

"Special Tax Prepayments" means the proceeds of any Special Tax prepayments received by the Authority, as calculated pursuant to the Rate and Method of Apportionment of the Special Taxes for the District, less any administrative fees or penalties collected as part of any such prepayment.

"Special Tax Prepayments Account" means the account by that name established within the Bond Fund under the Indenture.

"Special Tax Revenues" means the proceeds of the Special Taxes received by the Authority, including any scheduled payments and any prepayments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. "Special Tax Revenues" does not include any penalties collected in connection with delinquent Special Taxes.

"Special Taxes" means the special taxes levied within the District pursuant to the Act, the Ordinance and the Indenture.

"Supplemental Indenture" means an agreement the execution of which is authorized by a resolution which has been duly adopted by the Authority under the Act and which agreement is amendatory of or supplemental to the Indenture, but only if and to the extent that such agreement is specifically authorized under the Indenture.

"Tax Consultant" means Goodwin Consulting Group or another independent financial or tax consultant retained by the Authority for the purpose of computing the Special Taxes.

"Trust Estate" means the assets pledged and assigned by the Authority to the Trustee pursuant to the Indenture, which are limited to and include only the following: (a) the Special Tax Revenues, and (b) the amounts in the Special Tax Fund, the Bond Fund and the Reserve Fund.

"Trustee" means the Trustee appointed by the Authority and acting as an independent trustee with the duties and powers provided in the Indenture, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Indenture.

"Windemere BLC" means Windemere BLC Land Company, LLC, a California limited liability company, or any successor thereto or assignee thereof acting as the "Developer" under and as such term is defined in the Acquisition Agreement.

Funds and Accounts

The Indenture provides for the following funds and accounts:

Improvement Fund. There is established under the Indenture as a separate fund to be held by the Trustee, the Improvement Fund. Deposits shall be made to the accounts within the Improvement Fund as required by the Indenture. Moneys in the Improvement Fund shall be held in trust by the Trustee for the benefit of the Authority, and shall be disbursed for the payment or reimbursement of costs of the Project. Amounts in the Improvement Fund are not pledged as security for the Bonds.

Disbursements from the Improvement Fund shall be made by the Trustee upon receipt of an Officer's Certificate which shall: (i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost for an amount due under the Acquisition Agreement or to reimburse expenditures of the Authority, Windemere BLC or any other party for Project costs previously paid), that the disbursement is a proper expenditure from the Improvement Fund, and the person to which the disbursement is to be paid; and (ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officer's Certificate previously filed requesting a disbursement. Each such Officer's Certificate or other certificate submitted to the Trustee as described in the Indenture shall be sufficient evidence to the Trustee of the facts stated therein, and the Trustee shall have no duty to confirm the accuracy of such facts.

Moneys in the Improvement Fund will be invested and deposited in accordance with the Indenture. Interest earnings and profits from the investment and deposit of amounts in the Improvement Fund shall be retained in the Improvement Fund, to be used for the purposes of the Improvement Fund.

Upon the filing of an Officer's Certificate with the Trustee (a copy of which shall be provided by the Authority to Windemere BLC at its notice address under the Acquisition Agreement) stating that the Project has been completed and that all costs of the Project have been paid, or that any such costs are not required to be paid from the Improvement Fund, the Trustee shall transfer the amount, if any, remaining in the Improvement Fund to the Bond Fund to be used to pay Debt Service on the Bonds on the next Interest Payment Date, and when no amounts remain on deposit in the Improvement Fund the Improvement Fund shall be closed.

Costs of Issuance Fund. There is established under the Indenture as a separate fund to be held by the Trustee, the Costs of Issuance Fund, to the credit of which a deposit shall be made as required by the Indenture. Moneys in the Costs of Issuance Fund shall be held in trust by the Trustee, shall be disbursed as provided below for the payment or reimbursement of Costs of Issuance, and are not pledged as security for the Bonds.

Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by the Chief Financial Officer and delivered to the Trustee concurrently with the delivery of the Bonds, or otherwise in an Officer's Certificate delivered to the Trustee after the Closing Date. The Trustee shall pay all Costs of Issuance after receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee pursuant to an Officer's Certificate requesting payment of Costs of Issuance. The Trustee shall maintain the Costs of Issuance Fund for a period of 90 days from the date of delivery of the Bonds and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Administrative Expense Fund.

Moneys in the Costs of Issuance Fund will be invested and deposited in accordance with the Indenture. Interest earnings and profits resulting from said investment shall be retained by the Trustee in the Costs of Issuance Fund to be used for the purposes of such fund.

Reserve Fund. There is established under the Indenture as a separate fund to be held by the Trustee, the Reserve Fund, to the credit of which a deposit shall be made as required by the Indenture equal to the Reserve Requirement as of the Closing Date for the Bonds, and deposits shall be made as provided in the Indenture. Moneys in the Reserve Fund shall be held in trust by the Trustee for the benefit of the Owners of the Bonds as a reserve for the payment of principal of, and interest and any premium on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

Except as otherwise provided in the Indenture, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or, in accordance with the provisions of the Indenture, for the purpose of redeeming Bonds from the Bond Fund.

Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Trustee shall provide written notice thereof to the Chief Financial Officer, specifying the amount withdrawn.

Whenever, on the Business Day prior to any Interest Payment Date, or on any other date at the request of the Chief Financial Officer, the amount in the Reserve Fund exceeds the Reserve Requirement, the Trustee shall provide written notice to the Chief Financial Officer of the amount of the excess and shall transfer an amount equal to the excess from the Reserve Fund to (i) so long as the Improvement Fund has not theretofore been closed pursuant to the Indenture, to the Improvement Fund to be used for purposes of the Improvement Fund; or (ii) if the Improvement Fund has theretofore been closed, the Bond Fund to be used for the payment of interest on the Bonds on the next Interest Payment Date in accordance with the Indenture.

Whenever the balance in the Reserve Fund equals or exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Trustee shall notify the Chief Financial Officer of such situation, and, upon the written direction of the Chief Financial Officer, the Trustee shall transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption, in accordance with the Indenture, as applicable, of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the Authority to be used for any lawful purpose of the Authority consistent with the provisions of the Act.

Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund pursuant to the Indenture until after (i) the calculation of any amounts due to the federal government pursuant to the Indenture following payment of the Bonds and withdrawal of any such amount from the Reserve Fund for purposes of making such payment to the federal government, and (ii) payment of any fees and expenses due to the Trustee.

Whenever Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment pursuant to the Indenture, a proportionate amount in the Reserve Fund (determined on the basis of the principal of Bonds to be redeemed, and the original principal of the Bonds) shall be transferred on the Business Day prior to the redemption date by the Trustee to the Bond Fund to be applied to the redemption of the Bonds pursuant to the Indenture. The Chief Financial Officer shall deliver to the Trustee an Officer's Certificate specifying any amount to be so transferred, and the Trustee may rely on any such Officer's Certificate.

Amounts in the Reserve Fund may at any time be used, at the written direction of an Authorized Officer, for purposes of paying any rebate liability to the federal government under the Indenture.

The Authority shall have the right at any time to release funds from the Reserve Fund, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Fund Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Fund Credit Instrument will cause interest on the Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Authority to the Trustee of a written calculation of the amount permitted to be released from the Reserve Fund (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Fund to the Authority free and clear of the lien of this Indenture. The Trustee shall comply with all documentation relating to a Qualified Reserve Fund Credit Instrument as shall be required to maintain such Qualified Reserve Fund Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Indenture.

At least fifteen (15) days prior to the expiration of any Qualified Reserve Fund Credit Instrument, the Authority shall be obligated either (i) to replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds such that the amount on deposit in the Reserve Fund is equal to the Reserve Requirement (without taking into account such expiring Qualified Reserve Fund Credit Instrument). In the event that the Authority shall fail to take action as specified in clause (i) or (ii) of the preceding sentence, the Trustee shall, prior to the expiration thereof, draw upon the Qualified Reserve Fund Credit Instrument in full and deposit the proceeds of such draw in the Reserve Fund.

In the event that the Reserve Requirement shall at any time be maintained in the Reserve Fund in the form of a combination of cash and a Qualified Reserve Fund Credit Instrument, the Trustee shall apply the amount of such cash to make any payment required to be made from the Reserve Fund before the Trustee shall draw any moneys under such Qualified Reserve Fund Credit Instrument for such purpose. In the event that the Trustee shall at any time draw funds under a Qualified Reserve Fund Credit Instrument to make any payment then required to be made from the Reserve Fund, the Special Tax Revenues thereafter received by the Trustee, to the extent deposited to the Reserve Fund under the Indenture, shall be used to reinstate the Qualified Reserve Fund Credit Instrument.

Bond Fund; Capitalized Interest and Special Tax Prepayments Accounts. There is established under the Indenture as a separate fund to be held by the Trustee, the Bond Fund, to the credit of which deposits shall be made as required by the Indenture, and any other amounts required to be deposited therein by the Act. There is also created under the Indenture in the

Bond Fund a separate account held by the Trustee, the Capitalized Interest Account, to the credit of which a deposit shall be made under the Indenture. There is also created under the Indenture in the Bond Fund a separate account to be held by the Trustee, consisting of the Special Tax Prepayments Account, to the credit of which deposits shall be made as provided in the Indenture.

Moneys in the Bond Fund and the accounts therein shall be held in trust by the Trustee for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Bond Fund Disbursements. On each Interest Payment Date, the Trustee shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of the sinking payments set forth in the Indenture, or a redemption of the Bonds required by the Indenture, such payments to be made in the priority listed in the second succeeding paragraph. Notwithstanding the foregoing, amounts in the Bond Fund as a result of a transfer from the Improvement Fund pursuant to the Indenture shall be used to pay the principal of and interest on the Bonds prior to the use of any other amounts in the Bond Fund for such purpose.

In the event that amounts in the Bond Fund are insufficient for the purposes set forth in the preceding paragraph, the Trustee shall withdraw from the Reserve Fund to the extent of any funds therein amounts to cover the amount of such Bond Fund insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the Indenture, the Trustee shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Special Tax Prepayments Account Disbursements. Moneys in the Special Tax Prepayments Account shall be transferred by the Trustee to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under the Indenture, and notice to the Trustee can timely be given under the Indenture, and shall be used (together with any amounts transferred from the Reserve Fund pursuant to the Indenture) to redeem Bonds on the redemption date selected in accordance with the Indenture.

Capitalized Interest Account Disbursements. Moneys in the Capitalized Interest Account shall be transferred to the Bond Fund on the Business Day prior to each Interest Payment Date, in the amount equal to and to be used for the payment of interest on the Bonds due on the next succeeding Interest Payment Date; provided that no such transfer shall exceed the amount then on deposit in the Capitalized Interest Account. When no amounts remain on deposit in such account, the Capitalized Interest Account shall be closed.

Moneys in the Bond Fund, the Capitalized Interest Account and the Special Tax Prepayments Account shall be invested and deposited in accordance with the Indenture. Interest earnings and profits resulting from the investment and deposit of amounts in the Bond Fund, the Capitalized Interest Account and the Special Tax Prepayments Account shall be retained in the Bond Fund, the Capitalized Interest Account and the Special Tax Prepayments Account, respectively, to be used for purposes of such fund and accounts.

Special Tax Fund. There is established under the Indenture as a separate fund to be held by the Trustee, the Special Tax Fund, to the credit of which the Trustee shall deposit amounts received from or on behalf of the Authority consisting of Special Tax Revenues, and any amounts required by the Indenture to be deposited therein. The Authority shall promptly remit any such amounts received by it to the Trustee for deposit by the Trustee to the Special Tax Fund.

Notwithstanding the foregoing, (i) any Special Tax Revenues constituting payment of the portion of the Special Tax levy for Administrative Expenses, as identified by the Chief Financial Officer to the Trustee, shall be deposited by the Trustee in the Administrative Expense Fund, and (ii) any proceeds of Special Tax Prepayments, as identified by the Chief Financial Officer to the Trustee, shall be transferred by the Chief Financial Officer to the Trustee for deposit by the Trustee directly in the Special Tax Prepayments Account established pursuant to the Indenture.

Moneys in the Special Tax Fund shall be held in trust by the Trustee for the benefit of the Authority and the Owners of the Bonds, shall be disbursed as provided below and, pending disbursement, shall be subject to a lien in favor of the Owners of the Bonds and the Authority.

On each Interest Payment Date, the Trustee shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority (i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the Reserve Fund, the Capitalized Interest Account and the Special Tax Prepayments Account to the Bond Fund pursuant to the Indenture, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date, and (ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement.

Moneys in the Special Tax Fund shall be invested and deposited in accordance with the Indenture. Interest earnings and profits resulting from such investment and deposit shall be retained in the Special Tax Fund to be used for the purposes thereof.

Administrative Expense Fund. There is established under the Indenture, as a separate fund to be held by the Trustee, the Administrative Expense Fund to the credit of which deposits shall be made as required by the Indenture. Moneys in the Administrative Expense Fund shall be held in trust by the Trustee for the benefit of the Authority, shall be disbursed as provided below, and are not pledged as security for the Bonds.

Amounts in the Administrative Expense Fund will be withdrawn by the Trustee and paid to the Authority or its order upon receipt by the Trustee of an Officer's Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense or a Cost of Issuance, and the nature of such Administrative Expense or Cost of Issuance. Amounts transferred from the Costs of Issuance Fund to the Administrative Expense Fund pursuant to the Indenture shall be separately identified at all times, and shall be expended for purposes of the Administrative Expense Fund prior to the use of amounts transferred to the Administrative Expense Fund from the Special Tax Fund pursuant to the Indenture. Annually, on the last day of each Fiscal Year commencing with the last day of Fiscal Year 2004-2005, the Trustee shall withdraw any amounts then remaining in the Administrative Expense Fund in excess of $30,000 that have not been allocated to pay Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered, and transfer such amounts to the Special Tax Fund.

Moneys in the Administrative Expense Fund will be invested and deposited in accordance with the Indenture. Interest earnings and profits resulting from said investment shall be retained by the Trustee in the Administrative Expense Fund to be used for the purposes of such fund.

Covenants of the Authority

The Authority will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Indenture and any Supplemental Indenture, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the Bonds.

In order to prevent any accumulation of claims for interest after maturity, the Authority may not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and may not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Authority, such claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

The Authority will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien under the Indenture for the benefit of the Bonds, except as permitted by the Indenture.

The Authority will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Authority, in which complete and correct entries are made of all transactions relating to Special Tax Revenues. Such books of record and accounts will at all times during business hours be subject to the inspection of the Trustee and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

The Trustee will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Trustee, in which complete and correct entries must be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund (including the Capitalized Interest Account and the Special Tax Prepayments Account therein), the Special Tax Fund, the Reserve Fund, the Improvement Fund, the Administrative Expense Fund and the Costs of Issuance Fund. Such books of record and accounts must at all times during business hours be subject to the inspection of the Authority and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing upon reasonable prior notice.

The Authority will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the Authority, the Bonds shall be incontestable by the Authority.

The Authority will comply with all applicable provisions of the Act and law in administering the District and completing the funding of the Project.

The Authority shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes. On or within five (5) Business Days of each June 1, the Trustee is required to provide the Chief Financial Officer with a notice stating the amount then on deposit in the Bond Fund, the Capitalized Interest Account and the Reserve Fund, and informing the Authority that the Special Taxes may need to be levied pursuant to the Ordinance as necessary to provide for the debt service to become due on the Bonds in the calendar year that commences in the Fiscal Year for which the levy is to be made, and Administrative Expenses and replenishment (if necessary) of the Reserve Fund so that the balances therein equal the Reserve Requirement. The receipt of or failure to receive such notice by the Chief Financial Officer shall in no way affect the obligations of the Chief Financial Officer under the following two paragraphs. Upon receipt of such notice, the Chief Financial Officer shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The Chief Financial Officer shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each July 15 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Chief Financial Officer shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

The Chief Financial Officer shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses (including amounts necessary to discharge any rebate obligation under the Indenture) during such year, taking into account the balances in such funds and in the Special Tax Fund. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property; provided that, pursuant to and in accordance with the Ordinance, the Special Taxes may be collected by means of direct billing of the property owners within the District, in which event the Special Taxes shall become delinquent if not paid when due pursuant to said billing.

Pursuant to Section 53356.1 of the Act, the Authority covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as described below, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following paragraph. The Chief Financial Officer shall notify the Authority Attorney of any such delinquency of which it is aware, and the Authority Attorney shall commence, or cause to be commenced, such proceedings.

On or about February 15 and June 15 of each Fiscal Year, the Chief Financial Officer shall compare the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the Authority. If the Chief Financial Officer determines that any single parcel subject to the Special Tax in the District is delinquent in the payment of Special Taxes in the aggregate amount of $5,000 or more, then the Chief Financial Officer shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the Authority within 90 days of such determination. Notwithstanding the foregoing, the Chief Financial Officer may defer such action if the amount in the Reserve Fund is at least equal to the Reserve Requirement. If the Chief Financial Officer determines that (i) the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District, (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, or (ii) there are ten (10) or fewer owners of real property within the District, determined by reference to the latest available secured property tax roll of the County, the Chief Financial Officer shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and the Authority shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in the District with a Special Tax delinquency.

The Authority will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Indenture.

The Authority shall assure that the proceeds of the 2004 Bonds are not so used as to cause the 2004 Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code. The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2004 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

The Authority shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2004 Bonds. If necessary, the Authority may use amounts in the Reserve Fund, amounts on deposit in the Administrative Expense Fund, and any other funds available to the District, including amounts advanced by the Authority, in its sole discretion, to be repaid by the District as soon as practicable from amounts described in the preceding clauses, to satisfy its obligations described in this paragraph. The Chief Financial Officer shall take note of any investment of monies thereunder in excess of the yield on the 2004 Bonds, and shall take such actions as are necessary to ensure compliance with the Indenture, such as increasing the portion of the Special Tax levy for Administration Expenses as appropriate to have funds available in the Administrative Expense Fund to satisfy any rebate liability under the Indenture.

The Authority shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2004 Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2004 Bonds would have caused the 2004 Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

In determining the yield of the 2004 Bonds to comply with the Indenture, the Authority will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the Authority, as of the Closing Date, regarding prepayments of Special Taxes and use of prepayments for redemption of the 2004 Bonds, without regard to whether or not prepayments are received or 2004 Bonds redeemed.

The Authority shall take all actions necessary to assure the exclusion of interest on the 2004 Bonds from the gross income of the Owners of the 2004 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2004 Bonds.

The Authority covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the Continuing Disclosure Agreement shall not be considered a default under the Indenture; however, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the Authority of its obligations thereunder, including seeking mandate or specific performance by court order.

The Authority covenants and agrees to not consent or conduct proceedings with respect to a reduction in the maximum Special Taxes that may be levied in the District below an amount, for any Fiscal Year, equal to 110% of the aggregate of the debt service due on the Bonds in such Fiscal Year, plus a reasonable estimate of Administrative Expenses for such Fiscal Year.

The Authority covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the owners of the Bonds and further covenants not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the Authority having insufficient Special Tax revenues to pay the principal of and interest on the Bonds remaining Outstanding following such tender.

The Authority will not bid at a foreclosure sale of property in respect of delinquent Special Taxes, unless it expressly agrees to take the property subject to the lien for Special Taxes imposed by the District (as such lien may be modified pursuant to the covenant described below).

In the event of the delinquency in payment of Special Taxes levied on any parcel in the District, and action is initiated by or on behalf of the Authority to collect such delinquency, the Authority and the District expressly agree in the Indenture to subordinate the obligation of any such parcel to pay Special Taxes to any obligation of such parcel in respect of assessments levied or to be levied thereon for the Association of Bay Area Governments Winderemere Ranch Assessment District 1999-1 or any reassessment district created in connection with the refunding of any bonds issued by such assessment district (together, the "Assessment District") with the purpose and effect as follows:

(a) any amount collected in respect of any action taken to collect the delinquent Special Taxes on a parcel shall first be used to satisfy any delinquent assessment or reassessment lien of the Assessment District with respect to such parcel (to the extent such Assessment District delinquency is not otherwise satisfied in connection with actions to collect the same);

(b) to the extent required to effect a foreclosure sale of any parcel with delinquent Special Taxes and delinquent assessments or reassessments levied by the Assessment District, first the delinquent Special Taxes shall be reduced and forgiven as necessary to effect such sale, and, if a sale of the parcel subject to delinquent assessments and reassessments cannot be sold if all delinquent Special Taxes have been reduced and forgiven, the future Special Tax levy on such parcel may be permanently reduced and discharged (such reduction and discharge to be deemed to be a prepayment of Special Taxes for such parcel under the Rate and Method of Apportionment of Special Taxes for the District) to the extent, and only to the extent, necessary to allow such sale to occur, and:

(i) the parcel shall remain subject to the remaining assessment or reassessment lien of the Assessment District not yet due and payable, and

(ii) proceeds of such sale, if any, shall be used, to pay the delinquent assessments or reassessments levied by the Assessment District.

Pursuant to the foregoing, to the extent necessary to collect delinquent assessments and reassessments levied by the Assessment District on a parcel:

First, delinquent Special Taxes on such parcel shall be reduced and discharged, and then

Second, future Special Taxes on such parcel shall be reduced and discharged, as necessary to allow for collection of delinquent assessments and reassessments levied by the Assessment District with the parcel subject to all future assessments and reassessments of the Assessment District encumbering such parcel.

In connection with the foregoing, (i) delinquencies shall include all statutory interest and penalties associated therewith, and (ii) the foregoing shall not in any way prohibit the reduction of assessment or reassessment delinquencies or encumbrances on a parcel by or on behalf of the Assessment District if necessary (in the judgment of the administrator of the Assessment District or otherwise by proceedings in accordance with applicable law), following the reduction and discharge of all delinquent and future Special Taxes in respect of such parcel, to collect as much as possible of the delinquent and future assessments or reassessments on such parcel by the Assessment District.

Investments

Moneys in any fund or account created or established by the Indenture and held by the Trustee is required to be invested by the Trustee in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Trustee shall invest to the extent reasonably practicable any such moneys in the Permitted Investments described in clause (g) of the definition thereof in the Indenture. Moneys in any fund or account created or established by the Indenture and held by the Chief Financial Officer shall be invested by the Chief Financial Officer in any lawful investment for Authority funds or in any Permitted Investment, which in any event by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the Indenture for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in the Indenture any moneys are required to be transferred by the Authority to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments.

The Trustee and its affiliates or the Chief Financial Officer may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. Neither the Trustee nor the Chief Financial Officer shall incur any liability for losses arising from any investments made pursuant to the Indenture. The Trustee will not be required to determine the legality of any investments.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Indenture or the Code) at Fair Market Value. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment direction of an Authorized Officer in any written direction of any Authorized Officer. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the subaccounts within the Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Code). The Trustee shall not be liable for verification of the application of such sections of the Code.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Trustee or the Chief Financial Officer, provided that the Trustee or the Chief Financial Officer, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Indenture. The Trustee or the Chief Financial Officer, as applicable, shall sell at Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Trustee nor the Chief Financial Officer shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Indenture.

Liability of Authority

The Authority shall not incur any responsibility in respect of the Bonds or the Indenture other than in connection with the duties or obligations explicitly therein or in the Bonds assigned to or imposed upon it. The Authority shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful default. The Authority shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Trustee in the Indenture or of any of the documents executed by the Trustee in connection with the Bonds, or as to the existence of a default or Event of Default thereunder.

In the absence of bad faith, the Authority, including the Chief Financial Officer, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Authority and conforming to the requirements of the Indenture. The Authority, including the Chief Financial Officer, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of the Indenture shall require the Authority to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations under the Indenture, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Authority and the Chief Financial Officer may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Authority may consult with counsel, who may be the Authority Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith.

The Authority shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactory established, if disputed.

Whenever in the administration of its duties under the Indenture the Authority or the Chief Financial Officer shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Authority, be deemed to be conclusively proved and established by a certificate of the Trustee, an Appraiser, an Independent Financial Consultant or a Tax Consultant, and such certificate shall be full warrant to the Authority and the Chief Financial Officer for any action taken or suffered under the provisions of the Indenture or any Supplemental Indenture upon the faith thereof, but in its discretion the Authority or the Chief Financial Officer may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

In order to perform its duties and obligations under the Indenture, the Authority and/or the Chief Financial Officer may employ such persons or entities as it deems necessary or advisable. The Authority shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith under the Indenture, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

The Trustee

The Trustee undertakes to perform such duties, and only such duties, as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph, shall be the successor to such Trustee without the execution or filing of any paper or any further act.

The Authority may remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, corporation or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars ($50,000,000), and be subject to supervision or examination by federal or state authority. If such bank, corporation or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice to the Authority and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing. Any resignation or removal of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

If no appointment of a successor Trustee shall be made within forty-five (45) days after the Trustee shall have given to the Authority written notice or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or any Owner may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

If, by reason of the judgment of any court, or reasonable agency, the Trustee is rendered unable to perform its duties under the Indenture, all such duties and all of the rights and powers of the Trustee thereunder shall be assumed by and vest in the Financial Services Director of the Authority in trust for the benefit of the Owners. The Authority covenants for the direct benefit of the Owners that its Financial Services Director in such case shall be vested with all of the rights and powers of the Trustee under the Indenture, and shall assume all of the responsibilities and perform all of the duties of the Trustee thereunder, in trust for the benefit of the Owners of the Bonds. In such event, the Financial Services Director may designate a successor Trustee qualified to act as Trustee thereunder.

The recitals of facts, covenants and agreements in the Indenture and in the Bonds contained shall be taken as statements, covenants and agreements of the Authority, and the Trustee assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of the Indenture or of the Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Indenture or in the Bonds assigned to or imposed upon it. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

In the absence of bad faith, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture; but in the case of any such certificates or opinions by which any provision of the Indenture are specifically required to be furnished to the Trustee, the Trustee shall examine the same to determine whether or not they conform to the requirements of the Indenture. Except as provided above in this paragraph, Trustee shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Indenture, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of the Indenture, and the Trustee shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Trustee shall not be liable for any error of judgment made in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts. No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners pursuant to the Indenture unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The Trustee may become the owner of the Bonds with the same rights it would have if it were not the Trustee.

The Trustee shall have no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it under the Indenture, or as to the correctness of any amounts received, and its liability shall be limited to the proper accounting for such funds as it shall actually receive.

In order to perform its duties and obligations under the Indenture, the Trustee may employ such persons or entities as it deems necessary or advisable. The Trustee shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

The Trustee may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Trustee may consult with counsel, who may be counsel to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith.

The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be in the Indenture specifically prescribed) may, in the absence of willful misconduct on the part of the Trustee, be deemed to be conclusively proved and established by an Officer's Certificate, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture or any Supplemental Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Amendment of the Indenture

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the Authority to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the Authority of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Indenture), or (iii) reduce the percentage of Bonds required for the amendment of the Indenture. Any such amendment may not modify any of the rights or obligations of the Trustee without its written consent.

The Indenture and the rights and obligations of the Authority and of the Owners may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Indenture reserved to or conferred upon the Authority;

(B) to make modifications not adversely affecting any outstanding series of Bonds of the Authority in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in regard to questions arising under the Indenture, as the Authority or the Trustee may deem necessary or desirable and not inconsistent with the Indenture, and which shall not adversely affect the rights of the Owners of the Bonds;

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from gross federal income taxation of interest on the Bonds; and

(E) in connection with the issuance of Parity Bonds under and pursuant to the Indenture.

Default

Events of Default. Each of the following events shall constitute an "Event of Default" under the Indenture:

(A) failure to pay the principal of or premium (if any) on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(B) failure to pay any installment of interest on any Bond when such interest installment shall become due and payable; and

(C) failure by the Authority to perform or observe any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and the continuation of such failure for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time outstanding.

No default specified in (C) above shall constitute an Event of Default unless the Authority shall have failed to correct such default within the applicable period; provided, however, that if the default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within the applicable period and diligently pursued until the default is corrected.

Institution of Legal Proceedings by Trustee. If one or more of the Events of Default shall occur and be continuing, the Trustee in its discretion may, and upon the written request of the holders of a majority in principal amount of the Bonds then outstanding and upon being indemnified to its satisfaction therefor the Trustee shall, proceed to protect or enforce its rights or the rights of the holders of Bonds under the Act or under the Indenture, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture or therein, or in aid of the execution of any power in the Indenture or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties under the Indenture; provided that any such request from the Bondholders shall not be in conflict with any rule of law or with the Indenture, expose the Trustee to personal liability or be unduly prejudicial to Bondholders not joining therein.

Application of Moneys Collected by Trustee. Any moneys held by the Trustee, or collected by the Trustee pursuant to the default provisions of the Indenture shall be applied in the order following, at the date or dates fixed by the Trustee and, in the case of distribution of such moneys on account of principal (or premium, if any) or interest, upon presentation of the Bonds and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: For payment of all amounts due to the Trustee under the Trustee compensation provisions of the Indenture.

Second: For deposit in the Bond Fund to be applied to payment of the principal of all Bonds then due and unpaid and the premium, if any, and interest thereon; ratably to the persons entitled thereto without discrimination or preference; except that no payment of principal, premium or interest shall be made with respect to any Bonds registered in the name of the Authority, or known by the Trustee to be registered in the name of any nominee of the Authority, until all amounts due on all Bonds not so registered have been paid.

Third: For payment of all other amounts due to any person under the Indenture.

Effect of Delay or Omission to Pursue Remedy. No delay or omission of the Trustee or of any holder of Bonds to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by the Indenture to the Trustee or to the holders of Bonds may be exercised from time to time and as often as shall be deemed expedient. In case the Trustee shall have proceeded to enforce any right under the Indenture, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the holders of the Bonds, severally and respectively, shall be restored to their former positions and rights under the Indenture in respect to the Trust Estate; and all remedies, rights and powers of the Authority, the Trustee and the holders of the Bonds shall continue as though no such proceedings had been taken.

Remedies Cumulative. No remedy in the Indenture conferred upon or reserved to the Trustee or to any holder of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity.

Covenant to Pay Bonds in Event of Default. The Authority covenants that, upon the happening of any Event of Default, the Authority will pay to the Trustee upon demand, but only out of Special Tax Revenues, for the benefit of the holders of the Bonds, the whole amount then due and payable thereon for interest or for principal and premium, or both, as the case may be, and all other sums which may be due under the Indenture or secured by the Indenture, including reasonable compensation to the Trustee, its agents and counsel, and any expenses or liabilities incurred by the Trustee under the Indenture. In case the Authority shall fail to pay the same forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, and upon being indemnified to its satisfaction shall be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees, subject, however, to the condition that such judgment, if any, shall be limited to, and payable solely out of, Special Tax Revenues and any other assets pledged, transferred or assigned to the Trustee under the Indenture as provided in the Indenture and not otherwise. The Trustee shall be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of the Indenture, and the right of the Trustee to recover such judgment shall not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of the Indenture.

Trustee Appointed Agent for Bondholders. The Trustee is appointed in the Indenture as the agent and attorney of the holders of all Bonds outstanding under the Indenture for the purpose of filing any claims relating to the Bonds. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the written request of the holders of a majority in principal amount of the Bonds then outstanding, it shall have full power, in the exercise of its discretion for the best interests of the holders of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default under the Indenture, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the holders of at least a majority in principal amount of the Bonds outstanding under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Bondholders' Right to Sue. No holder of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Indenture; (b) the holders of at least a majority in aggregate principal amount of all the Bonds then outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of thirty (30) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared in the Indenture, in every case, to be conditions precedent to the exercise by any holder of Bonds of any remedy under the Indenture; it being understood and intended that no one or more holders of Bonds shall have any right in any manner whatever by its or their action to enforce any right under the Indenture, except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner in the Indenture provided and for the equal benefit of all holders of the outstanding Bonds.

The right of any holder of any Bond to receive payment of the principal of (and premium, if any) and interest on such Bond out of Special Tax Revenues, as in the Indenture and the Bonds provided, on and after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such holder, notwithstanding the foregoing provisions of the Indenture or any other provision of the Indenture.

Limitation of Liability to Trust Estate. Notwithstanding anything in the Indenture contained, the Authority shall not be required to advance any moneys derived from the proceeds of taxes collected by the Authority, by the State of California or by any political subdivision thereof or from any source of income of any of the foregoing other than the Special Tax Revenues, for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. The Bonds are limited obligations of the Authority for the District, and are payable from and secured only by the Trust Estate.

Discharge of the Bonds and the Indenture

The Authority shall have the option to pay and discharge the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in certain funds and accounts therein as provided in the Indenture is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Trustee, in trust, cash and Federal Securities in such amount as the Authority shall determine as confirmed by Bond Counsel or an independent certified public accountant will, together with the interest to accrue thereon and moneys then on deposit in the Reserve Fund and in the Bond Fund and accounts therein as provided in the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the Authority shall have taken any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Authority, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Indenture and all other obligations of the Authority under the Indenture with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Trustee. Notwithstanding the foregoing, the obligation of the Authority to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, to pay all amounts owing to the Trustee pursuant to the Indenture, and otherwise to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes, shall continue in any event.

Upon compliance by the Authority with the foregoing with respect to all Bonds Outstanding, any funds held by the Trustee after payment of all fees and expenses of the Trustee, which are not required for the purposes of the preceding paragraph, shall be paid over to the Authority and any Special Taxes thereafter received by the Authority shall not be remitted to the Trustee but shall be retained by the Authority to be used for any purpose permitted under the Act.

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APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC and its Participants. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The

DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Book-Entry Only System. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Discontinuance of DTC Services. If (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the Issuer determines that DTC will no longer so act and delivers a written certificate to the Trustee to that effect, then the Issuer will discontinue the Book-Entry Only System with DTC for the Bonds. If the Issuer determines to replace DTC with another qualified securities depository, the Issuer will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Indenture. If the Issuer fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds will no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but will be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds designates.

If the Book-Entry Only System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) principal of, and redemption premiums, if any, on, the Bonds will be payable upon surrender thereof at the corporate trust office of the Trustee in Los Angeles, California, (iii) interest on the Bonds will be payable by check mailed by first-class mail or, upon the written request of any Owner of $1,000,000 or more in aggregate principal amount of Bonds received by the Trustee on or prior to the 15th day of the calendar month immediately preceding the interest payment date, by wire transfer in immediately available funds to an account with a financial institution within the continental United States of America designated by such Owner, and (iv) the Bonds will be transferable and exchangeable as provided in the Indenture.

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APPENDIX F

FORM OF ISSUER CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE
(Issuer)

$30,000,000
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-2
(WINDEMERE RANCH)
2004 SPECIAL TAX BONDS

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by the ABAG Finance Authority for Nonprofit Corporations (the "**Issuer**") for and on behalf of the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch) (the "**Community Facilities District**") in connection with the issuance of the bonds captioned above (the "**Bonds**"). The Bonds are being issued pursuant to an Indenture, dated as of June 1, 2004 (the "Indenture"), by and between the Issuer, for and on behalf of the Community Facilities District, and BNY Western Trust Company, as Trustee (the "**Trustee**"). The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is nine months after the end of the Issuer's fiscal year (currently no later than April 1 based on the Issuer's fiscal year end of June 30).

"*Dissemination Agent*" means Digital Assurance Certification LLC, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"*Issuer*" means ABAG Finance Authority for Nonprofit Corporations, for and on behalf of ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch).

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*National Repository*" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Securities and Exchange Commission's Internet site at www.sec.gov.

"*Official Statement*" means the final official statement executed by the Issuer in connection with the issuance of the Bonds.

"*Participating Underwriter*" means Stone & Youngberg LLC, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Repository*" means each National Repository and each State Repository, if any.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*State Repository*" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. <u>Provision of Annual Reports</u>.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2005 with the report for the 2003-04 fiscal year, provide to the Participating Underwriter and to each Repository an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. The audited financial statements of the Issuer may be included within or constitute a portion of the audited financial statements (Windemere Ranch). If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Issuer does not provide, or cause the Dissemination Agent to provide, an Annual Report to the Repositories by the Annual Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board and the appropriate State Repository, if any, in substantially the form attached hereto as Exhibit A, with a copy to the Trustee (if different than the Dissemination Agent) and the Participating Underwriter.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer and the Participating Underwriter certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following documents and information:

(a) The Issuer's audited financial statements for the most recently completed fiscal year, together with the following statement:

> THE ISSUER'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE ISSUER ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND THE ISSUER IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE ISSUER IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

(b) Total assessed value (per the County Assessor's records) of all parcels currently subject to the Special Tax within the Community Facilities District, showing the total assessed valuation for all land and the total assessed valuation for all improvements within the Community Facilities District and distinguishing between the assessed value of improved and unimproved parcels. Parcels are considered improved if there is an assessed value for the improvements in the Assessor's records.

(c) The total dollar amount of delinquencies in the Community Facilities District as of August 1 of any year and, in the event that the total delinquencies within the Community Facilities District as of August 1 in any year exceed 5% of the Special Tax for the previous year, delinquency information for each parcel responsible for more than $5,000 in the payment of Special Tax, amounts of delinquencies, length of delinquency and status of any foreclosure of each such parcel.

(d) The amount of prepayments of the Special Tax with respect to the Community Facilities District for the prior Fiscal Year.

(e) A land ownership summary listing property owners responsible for more than 5% of the annual Special Tax levy, as shown on the County Assessor's last equalized tax roll prior to the September next preceding the Annual Report Date.

(f) The principal amount of the Bonds outstanding, the balance in the Reserve Fund (along with a statement of the Reserve Requirement) and the balance in the Improvement Fund as of the September 30 next preceding the Annual Report Date.

(g) An updated table in substantially the form of the table in the Official Statement entitled "Appraised Values and Value to Burden Ratios" based upon the most recent information available, provided (1) that assessed values shown on the County assessor's most recent equalized tax roll prior to the September next preceding the Annual Report Date may be substituted for appraised values and (2) the table shall show only (A) value to burden ratios for individual property owners that were responsible for 5% or more of the Special Tax for the previous year and (B) the overall value to burden ratio for the Community Facilities District (excluding those items specifically excluded from the burden calculation in the Official Statement).

(h) Any changes to the Rate and Method of Apportionment set forth in Appendix B to the Official Statement.

(i) A copy of the annual information required to be filed by the Issuer with the California Debt and Investment Advisory Commission pursuant to the Act and relating generally to outstanding

District bond amounts, fund balances, assessed values, special tax delinquencies and foreclosure information.

(j) In addition to any of the information expressly required to be provided under paragraphs (a) through (i) of this Section, the Issuer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions or events affecting the tax-exempt status of the security.

(7) Modifications to rights of security holders.

(8) Contingent or unscheduled bond calls.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities.

(11) Rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Issuer shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository, if any, with a copy to the Trustee (if different than the Dissemination Agent) and the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Digital Assurance Certification LLC.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Property Owner, the Trustee, the Bond owners or any other party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer:	ABAG Finance Authority for Nonprofit Corporations Metro Center 101 Eighth Street Oakland, CA 94607-4756 Attention: Secretary Fax: (510) 464-7932
To the Dissemination Agent:	Digital Assurance Certification LLC 250 Park Ave. South Suite 305 Winter Park, FL 32789 Fax: (407) 599-5965
To the Participating Underwriter:	Stone & Youngberg LLC One Ferry Building San Francisco, California 94111 Attention: Municipal Research Department Fax: (415) 445-2395

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date:June 25, 2004

ABAG FINANCE AUTHORITY FOR NON PROFIT CORPORATIONS, for and on behalf of ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS COMMUNITY FACILITIES DISTRICT NO. 2004-2 (WINDEMERE RANCH)

By: ____
Joseph Chan
Chief Financial Officer

AGREED AND ACCEPTED:
Digital Assurance Certification LLC,
as Dissemination Agent

By: _________________________________
Name: ______________________________
Title: _______________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	ABAG Finance Authority for Nonprofit Corporations, for and on behalf of ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch).
Name of Bond Issue:	Community Facilities District No. 2004-2 (Windemere Ranch) 2004 Special Tax Bonds
Date of Issuance:	June 25, 2004

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.17 of the Indenture, dated as of June 1, 2004 between the Issuer and BNY Western Trust Company. The Issuer anticipates that the Annual Report will be filed by _____________.

Dated:___________________

DISSEMINATION AGENT:

DIGITAL ASSURANCE CERTIFICATION LLC

By: ________________________________
Its: ________________________________

APPENDIX G

FORM OF PROPERTY OWNER CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE
(Property Owner)

$30,000,000
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-2 (WINDEMERE RANCH)
2004 SPECIAL TAX BONDS

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by Windemere BLC Land Company, a California limited liability company (the "**Property Owner**"), in connection with the issuance by the ABAG Finance Authority for Nonprofit Corporations (the "**Issuer**") for and on behalf of the ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch) (the "**Community Facilities District**") of the bonds captioned above (the "**Bonds**"). The Bonds are being issued pursuant to an Indenture, dated as of June 1, 2004 (the "Indenture"), by and between the Issuer, for and on behalf of the Community Facilities District, and BNY Western Trust Company, as Trustee (the "**Trustee**"). The Property Owner covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Property Owner for the benefit of the holders and beneficial owners of the Bonds.

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Affiliate*" of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 5% or more of the outstanding voting securities of such other Person, (b) any Person, 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person. For purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person. For purposes of this Disclosure Certificate, Affiliate shall include the following entities, but shall not include any Affiliates of such entities: (1) the Merchant Builders, (2) Lennar Homes of California, Inc., (3) LEN-OBS Windemere, LLC, and (4) Brookfield Bay Area Holdings LLC.

"Assumption Agreement" means an undertaking of a Major Owner, or an Affiliate thereof, for the benefit of the holders and beneficial owners of the Bonds containing terms substantially similar to this Disclosure Certificate (as modified for such Major Owner's development and financing plans with respect to the Community Facilities District), whereby such Major Owner or Affiliate agrees to provide semi-annual reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the property in the Community Facilities District owned by such Major Owner and its Affiliates and,

at the option of the Property Owner or such Major Owner, agrees to indemnify the Dissemination Agent pursuant to a provision substantially in the form of Section 11 hereof.

"*Dissemination Agent*" means Digital Assurance Certification LLC, or any successor Dissemination Agent designated in writing by the Property Owner, and which has filed with the Property Owner, the Community Facilities District and the Trustee a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Certificate.

"District" means ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch).

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*Major Owner*" means, as of any Report Date, an owner of land in the Community Facilities District responsible in the aggregate for 20% or more of the Special Taxes in the Community Facilities District anticipated to be levied at any time during the then-current fiscal year.

"*National Repository*" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Securities and Exchange Commission's Internet site at www.sec.gov.

"*Official Statement*" means the final official statement executed by the Issuer in connection with the issuance of the Bonds.

"*Participating Underwriter*" means Stone & Youngberg LLC, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Person*" means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

"*Property*" means the property owned by the Property Owner or any Affiliate of the Property Owner in the Community Facilities District.

"*Report Date*" means March 31 and September 30.

"*Repository*" means each National Repository and each State Repository, if any.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*Semi-Annual Report*" means any Semi-Annual Report provided by the Property Owner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Special Taxes"* means the special taxes levied on taxable property within the Community Facilities District.

"*State Repository*" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Semi-Annual Reports.

(a) The Property Owner shall, or upon written direction shall cause the Dissemination Agent to, not later than the Report Date, commencing September 30, 2004, provide to each Repository a Semi-Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Trustee (if different from the Dissemination Agent), the Participating Underwriter and the Issuer. Not later than 15 days prior to the Report Date, the Property Owner shall provide the Semi-Annual Report to the Dissemination Agent. The Property Owner shall provide a written certification with (or included as a part of) each Semi-Annual Report furnished to the Dissemination Agent, the Trustee (if different from the Dissemination Agent), the Participating Underwriter and the Issuer to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Trustee, the Participating Underwriter and the Issuer may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Semi-Annual Report. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent does not receive a Semi-Annual Report by 15 days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Semi-Annual Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 6 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Semi-Annual Report to the Repositories by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board and appropriate State Repository, if any, in substantially the form attached hereto as Exhibit A, with a copy to the Trustee (if other than the Dissemination Agent), the Issuer and the Participating Underwriter.

(c) The Dissemination Agent shall:

(i) determine prior to each Report Date the name and address of each National Repository and each State Repository, if any;

(ii) to the extent the Semi-Annual Report has been furnished to it, file the Semi-Annual Report with the Repositories,and file a report with the Property Owner (if the Dissemination Agent is other than the Property Owner), the Issuer and the Participating Underwriter certifying that the Semi-Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Semi-Annual Reports.

The Semi-Annual Report shall contain or incorporate by reference the following, if material. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Property Owner shall clearly identify each such other document so included by reference.

(a) Any significant changes in the information contained in the Official Statement under the headings: "PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT."

(b) A description of the status of development on each parcel owned by the Property Owner and its Affiliates within the Community Facilities District.

(c) A description of any sales of Property within the Community Facilities District by the Property Owner and its Affiliates since the previous Annual Report, and the status of any land purchase contracts with regard to Property within the Community Facilities District and owned by the Property Owner and its Affiliates.

(d) A description of any change in the legal structure of the Property Owner and its Affiliates owning Property in the Community Facilities District.

(e) Material changes in project costs, status of any construction loans and any permanent financing received by the Property Owner and its Affiliates with respect to development of Property within the Community Facilities District, with a statement to the best of Property Owner's knowledge as to the sufficiency of available funds to complete the project as contemplated and source of financing of project costs.

(f) Any denial of credit, lines of credit, loans or loss of source of capital that could have a significant impact on the Property Owner's or its Affiliates' ability to pay Special Taxes.

(g) Any failure by the Property Owner or its Affiliates to pay when due general property taxes, Special Taxes or assessments with respect to their Property in the Community Facilities District.

(h) Any previously undisclosed amendments to the land use entitlements or environmental conditions or other governmental conditions that are necessary to complete the development.

In addition, the Property Owner’s Semi-Annual Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) The Property Owner shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Property Owner and any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner which could have a significant impact on the

Property Owner's or its Affiliates' ability to pay Special Taxes or assessments with respect to the Property or to sell or develop the Property;

(ii) failure to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property by the Property Owners or any Affiliate of the Property Owner;

(iii) filing of a lawsuit against the Property Owner or an Affiliate of the Property Owner, seeking damages which could have a significant impact on the Property Owner's or its Affiliates' ability to pay Special Taxes or assessments with respect to the Property or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property;

(v) any payment default or other material default by the Property Owner or any Affiliate of the Property Owner on any loan with respect to the construction of improvements on the Property;

(ii) the discovery of toxic material or hazardous waste which will require remediation on the Property; and

(v) the termination prior to full disbursement of availability of incremental disbursements of proceeds of any loan, the proceeds of which were loaned to the Property Owner to facilitate the cost of construction of improvements to the land within the Community Facilities District.

(b) Whenever the Property Owner obtains knowledge of the occurrence of a Listed Event, the Property Owner shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Property Owner shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository, if any, with a copy to the Trustee, the Issuer and the Participating Underwriter.

Section 6. Duration of Reporting Obligation.

(a) All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 11) on the earliest to occur of the following:

(i) upon the legal defeasance, prior redemption or payment in full of all the Bonds, or

(ii) at such time as property owned by the Property Owner and any Affiliate of the Property Owner is no longer responsible for payment of 20% or more of the Special Taxes.

The Property Owner shall give notice of the termination of its obligations under this Disclosure Certificate in the same manner as for a Listed Event under Section 5.

(b) If all or any portion of the property in the Community Facilities District owned by the Property Owner, or any Affiliate of the Property Owner, is conveyed to a Person that, upon such conveyance, will be a Major Owner, the obligations of the Property Owner hereunder with respect to the property in the Community Facilities District owned by such Major Owner and its Affiliates may be assumed by such Major Owner or by an Affiliate thereof and the Property Owner's obligations hereunder will be terminated. In order to effect such assumption, such Major Owner or Affiliate shall enter into an Assumption Agreement in form and substance satisfactory to the Issuer and the Participating Underwriter.

Section 7. Dissemination Agent. The Property Owner may, from time to time, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Digital Assurance Certification LLC. The Dissemination Agent may resign by providing thirty days' written notice to the Issuer, the Property Owner and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Property Owner may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(a) if the amendment or waiver relates to the provisions of sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Property Owner from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Property Owner chooses to include any information in any Semi-Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Property Owner shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semi-Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Certificate, the Trustee shall (upon written direction and only to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys), and the Participating Underwriter and any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Property Owner to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Property Owner to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Property Owner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities, costs and expenses due to the negligence or willful misconduct of the Dissemination Agent or its officers, directors, employees and agents, or failure by the Dissemination Agent to perform its duties hereunder. The Dissemination Agent shall be paid compensation for its services provided hereunder in accordance with its schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Property Owner, the Trustee, the Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer:	ABAG Finance Authority for Nonprofit Corporations Metro Center 101 Eighth Street Oakland, CA 94607-4756 Attention: Secretary Fax: (510) 464-7932
To the Dissemination Agent:	Digital Assurance Certification LLC 250 Park Ave. South Suite 305 Winter Park, FL 32789 Fax: (407) 599-5965
To the Participating Underwriter:	Stone & Youngberg LLC One Ferry Building San Francisco, California 94111

Attention: Municipal Research Department
Fax: (415) 445-2395

To the Property Owner:	Windemere BLC Land Company, LLC 3130 Crow Canyon Place, #310 San Ramon, CA 94583 Fax: (925) 866-7036

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Property Owner (its successors and assigns), the Trustee, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: June 25, 2004

WINDEMERE BLC LAND COMPANY LLC, a California limited liability company

By: Brookfield Bay Area Holdings LLC, a Delaware limited liability company, Member

By: ____________________________
Name:__________________________
Its: ____________________________

By: ____________________________
Name:__________________________
Its: ____________________________

By: Centex Homes, a Nevada general partnership, Member

By: Centex Real Estate Corporation, a Nevada corporation,
Its: Managing General Partner

By: ____________________________
Name:__________________________
Its: ____________________________

By: LEN-OBS Windemere, LLC, a Delaware limited liability company, Member

By: Lennar Homes of California, Inc., a California corporation, Managing Member

By: ____________________________
Name:__________________________
Its: ____________________________

AGREED AND ACCEPTED:
Digital Assurance Certification LLC,
as Dissemination Agent

By: ___________________________
Title: __________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE SEMI-ANNUAL REPORT

Name of Issuer:	ABAG Finance Authority for Nonprofit Corporations
Name of Bond Issue:	ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-2 (Windemere Ranch) 2004 Special Tax Bonds
Date of Issuance:	June 25, 2004

NOTICE IS HEREBY GIVEN that ____________ (the "Major Owner") has not provided a Semi-Annual Report with respect to the above-named bonds as required by that certain Continuing Disclosure Certificate (Property Owner), dated June 25, 2004. The Major Owner anticipates that the Semi-Annual Report will be filed by _____________.

Dated:_______

DISSEMINATION AGENT:
Digital Assurance Certification LLC

By: ___________________________
Its: ___________________________

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APPENDIX H

FORM OF OPINION OF BOND COUNSEL

June __, 2004

Board of Directors
ABAG Finance Authority For
Nonprofit Corporations
101 Eighth Street
Oakland, California 94607-4756

OPINION: $30,000,000 ABAG Finance Authority For Nonprofit Corporations Community Facilities District 2004-2 (Windemere Ranch) 2004 Special Tax Bonds

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Members of the Board of Directors:

We have acted as bond counsel in connection with the issuance by the ABAG Finance Authority For Nonprofit Corporations (the "Authority") of its $30,000,000 ABAG Finance Authority For Nonprofit Corporations Community Facilities District 2004-2 (Windemere Ranch) 2004 Special Tax Bonds (the "Bonds") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.,* of the California Government Code) (the "Act"), an Indenture, dated as of June 1, 2003 (the "Indenture"), by and between the Authority for and on behalf of the ABAG Finance Authority For Nonprofit Corporations Community Facilities District 2004-2 (Windemere Ranch), and BNY Western Trust Company, as Trustee, and Resolution No. 04-19 adopted by the Authority on May 24, 2004 (the "Resolution"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Authority is duly created and validly existing as a joint exercise of powers authority, with the power to adopt the Resolution, enter into the Indenture and perform the agreements on its part contained therein and issue the Bonds.

2. The Indenture has been duly entered into by the Authority and constitutes a valid and binding obligation of the Authority enforceable upon the Authority.

3. Pursuant to the Act, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds, on a parity with the pledge thereof for the security of any Parity Bonds that may be issued under, and as such term is defined in, the Indenture.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the sources provided therefor in the Indenture.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

APPENDIX I

COMMUNITY FACILITIES DISTRICT BOUNDARY MAP

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PROPOSED BOUNDARIES OF
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-2
(WINDEMERE RANCH)

CONTRA COSTA COUNTY, STATE OF CALIFORNIA
SCALE: 1"= 1000' **ARPIL, 2004**

Carlson, Barbee & Gibson, Inc.
CIVIL ENGINEERS • SURVEYORS • PLANNERS
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925-866-0322 • fax 925-866-8575
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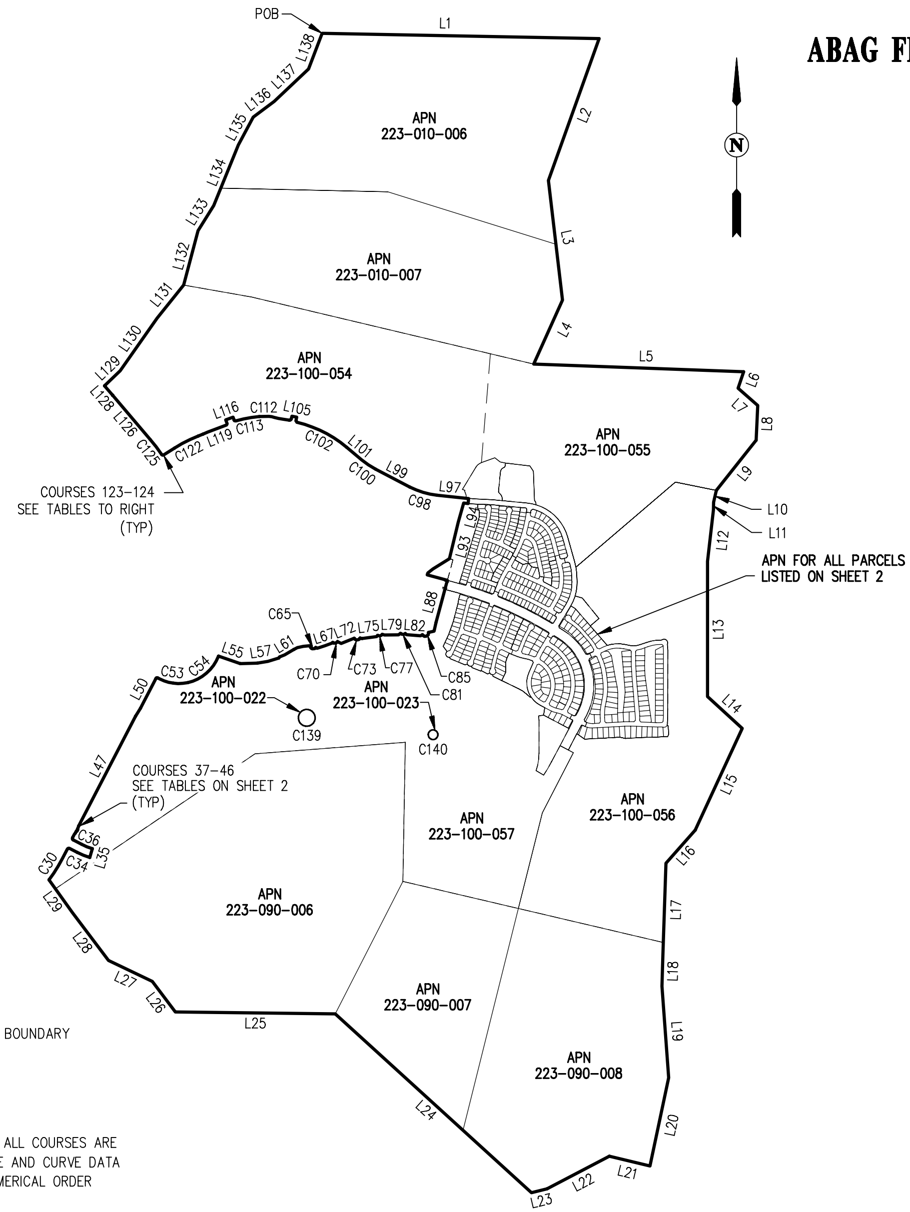

LEGEND

SUBDIVISION BOUNDARY
LOT LINE
APN LINE

NOTES

1) DUE TO MAPPING SCALE, NOT ALL COURSES ARE SHOWN ON THIS EXHIBIT. LINE AND CURVE DATA IS SHOWN ON SHEET 2 IN NUMERICAL ORDER TO RETRACE THE BOUNDARY.

FILED IN THE OFFICE OF THE SECRETARY OF THE ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS, THIS _____ DAY OF ___________, 2004.

BY: ______________________________
SECRETARY OF THE ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF THE BOUNDARIES OF THE ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS COMMUNITY FACILITIES DISTRICT NO. 2004-2 (WINDEMERE RANCH), COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA, WAS APPROVED BY THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS OF THE ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS, AT A MEETING THEREOF HELD ON THE ____ DAY OF ________, 2004, BY ITS RESOLUTION NO. ____.

BY: ______________________________
SECRETARY OF THE ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS

FILED THIS ___ DAY OF _________, 2004, AT THE HOUR OF _____ O'CLOCK __.M., IN BOOK ___ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AT PAGE ___ IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA.

BY: ______________________________
COUNTY RECORDER,
COUNTY OF CONTRA COSTA

PROPOSED BOUNDARIES OF
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
COMMUNITY FACILITIES DISTRICT NO. 2004-2
(WINDEMERE RANCH)

CONTRA COSTA COUNTY, STATE OF CALIFORNIA

SCALE: 1"= 1000' **ARPIL, 2004**

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LINE TABLE/CURVE TABLE

NO.	BEARING/DELTA	LENGTH	RADIUS
L1	N88°52'59"W	3490.31'	
L2	N19°38'15"W	1896.78'	
L3	N66°41'36"W	1517.92'	
L4	N24°13'46"E	884.33'	
L5	N87°54'08"W	2647.98'	
L6	N18°41'02"E	219.30'	
L7	N48°43'31"W	330.00'	
L8	N02°37'48"E	438.24'	
L9	N38°29'47"E	808.50'	
L10	N12°23'49"E	151.33'	
L11	N01°32'04"E	94.62'	
L12	N06°29'47"E	653.74'	
L13	N00°03'04"E	1705.65'	
L14	N47°32'09"W	593.54'	
L15	N24°50'12"E	1412.60'	
L16	N41°25'00"E	555.81'	
L17	N01°52'24"E	1145.90'	
L18	N01°48'08"E	404.58'	
L19	N04°11'52"W	1156.35'	
L20	N12°00'37"E	1136.96'	
L21	N76°27'22"W	526.21'	
L22	N62°17'26"E	886.61'	
L23	N76°21'49"E	202.39'	
L24	N47°38'45"W	3344.70'	
L25	N89°17'29"W	2015.55'	
L26	N36°59'49"W	481.74'	
L27	N64°32'38"W	612.93'	
L28	N37°00'49"W	758.45'	
L29	N35°30'46"W	503.19'	
C30	09°23'00"	315.34'	1925.52'
L31	N27°26'02"E	137.25'	
C32	90°00'00"	30.91'	19.68'
L33	N62°33'58"W	109.76'	
C34	11°08'55"	170.90'	878.28'
L35	N16°17'07"E	116.14'	
C36	11°08'55"	148.30'	762.14'
L37	N62°33'58"W	117.64'	
C38	90°00'00"	30.93'	19.69'
L39	N27°26'02"E	52.89'	
C40	25°34'20"	17.94'	40.19'
L41	N27°26'02"E	29.27'	
L42	N62°33'58"W	7.87'	
L43	N27°26'02"E	23.62'	
L44	N62°33'58"W	7.87'	
L45	N27°26'02"E	29.27'	
C46	25°34'21"	17.94'	40.19'
L47	N27°26'02"E	1556.56'	
C48	07°37'01"	57.35'	431.43'
C49	07°37'01"	61.28'	460.96'
L50	N27°26'02"E	419.78'	
C51	90°00'00"	30.93'	19.69'
L52	N62°33'58"W	26.50'	
C53	39°42'55"	361.14'	521.00'
C54	56°54'17"	534.39'	538.06'
L55	N71°02'27"W	290.94'	
L56	N88°24'37"E	213.13'	
L57	N81°13'08"E	136.27'	
L58	N72°38'04"E	143.28'	
L59	N39°15'47"E	18.39'	

LINE TABLE/CURVE TABLE

NO.	BEARING/DELTA	LENGTH	RADIUS
L60	N68°00'25"E	69.04'	
L61	N58°47'34"E	130.91'	
L62	N63°26'37"E	53.64'	
L63	N78°18'54"E	76.12'	
L64	N84°33'42"E	83.76'	
C65	142°44'50"	100.53'	40.35'
L66	N59°20'00"W	20.56'	
L67	N71°44'13"E	103.35'	
L68	N69°42'27"E	93.67'	
L69	N42°17'53"E	13.84'	
C70	101°21'46"	71.38'	40.35'
L71	N62°37'51"W	52.56'	
L72	N68°00'29"E	176.61'	
C73	132°55'17"	93.61'	40.35'
L74	N71°59'46"W	23.67'	
L75	N82°38'19"E	187.60'	
L76	N36°46'37"E	21.86'	
C77	93°12'00"	65.64'	40.35'
L78	N72°02'50"W	30.25'	
L79	N88°54'12"E	176.07'	
L80	N52°37'13"E	32.65'	
C81	93°32'11"	65.87'	40.35'
L82	N44°00'30"W	20.31'	
L83	N85°51'30"W	180.10'	
L84	N60°42'13"E	27.38'	
C85	164°28'26"	115.83'	40.35'
L86	N77°26'26"E	72.85'	
L87	N12°16'12"E	110.91'	
L88	N15°12'29"E	551.60'	
L89	N74°47'31"W	263.26'	
L90	N15°12'29"E	25.13'	
L91	N53°01'21"E	82.00'	
L92	N57°47'01"E	244.00'	
L93	N13°36'23"E	471.74'	
L94	N16°06'18"E	252.16'	
L95	N83°56'28"E	56.18'	
L96	N06°03'32"E	63.48'	
L97	N83°56'28"W	402.53'	
C98	21°26'46"	358.34'	957.35'
L99	N62°29'42"W	488.05'	
C100	12°34'47"	210.19'	957.35'
L101	N49°54'55"W	246.92'	
C102	26°57'26"	707.28'	1503.28'
L103	N32°28'18"W	22.83'	
L104	N11°52'53"E	46.96'	
L105	N78°07'07"W	62.99'	
L106	N11°52'53"E	36.14'	
C107	87°31'55"	30.08'	19.69'
C108	02°59'17"	78.84'	1511.81'
C109	05°39'32"	61.31'	620.73'
C110	06°13'24"	51.74'	476.38'
C111	15°02'00"	73.00'	278.21'
C112	08°10'38"	119.31'	835.96'
C113	11°12'08"	301.74'	1543.30'
C114	86°44'04"	29.81'	19.69'
L115	N19°22'15"W	35.21'	
L116	N70°37'45"E	98.42'	
L117	N19°22'15"W	53.07'	
L118	N24°51'09"E	16.22'	

LINE TABLE/CURVE TABLE

NO.	BEARING/DELTA	LENGTH	RADIUS
L119	N69°04'33"E	252.38'	
C120	03°27'20"	66.01'	1094.49'
C121	03°27'20"	64.58'	1070.86'
C122	11°27'33"	338.32'	1691.60'
L123	N57°37'00"E	158.27'	
C124	88°28'35"	30.41'	19.69'
C125	06°26'13"	235.82'	2099.08'
L126	N40°20'38"W	731.44'	
L127	N49°39'22"E	0.98'	
L128	N40°20'38"W	157.70'	
L129	N46°11'32"E	272.37'	
L130	N35°07'42"E	810.38'	
L131	N38°37'32"E	535.10'	
L132	N14°52'42"E	709.65'	
L133	N31°52'49"E	372.42'	
L134	N22°07'54"E	824.82'	
L135	N28°07'54"E	396.08'	
L136	N53°06'17"E	330.63'	
L137	N46°36'57"E	594.88'	
L138	N20°52'53"E	481.65'	
C139	360°00'00"	666.02'	106.00'
C140	360°00'00"	383.28'	61.00'

NOTE:
ALL TABLE INFORMATION PERTAINS TO SHEET 1 FOR RETRACING THE BOUNDARY.

DISTRICT NO. 2004-2 APN:

223-010-(006-007)
223-090-(006-008)
223-100-(022-023)
223-100-(048-058)
223-280-(001-080)
223-290-(001-055)
223-300-(001-071)
223-310-(001-070)
223-320-(001-079)
223-330-(001-043)
223-340-(001-065)